Assembly Bill No. 2901

CHAPTER 48

An act to amend Section 14105.98 of, and to add Section 14105.982 to, the Welfare and Institutions Code, relating to Medi-Cal, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor June 28, 2000. Filed with Secretary of State June 29, 2000.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2901, Committee on Health. Disproportionate share hospitals.

Existing law provided for the Medi-Cal program, which is administered by the State Department of Health Services, pursuant to which medical benefits are provided to public assistance recipients and certain other low-income persons.

Under existing law, the State Department of Health Services is required to make supplemental payments to certain outpatient disproportionate share hospitals based on specified criteria.

This bill would revise the method of determining the disproportionate share provider payment structure for the 2000–01 payment adjustment year and subsequent years. The bill would also authorize the department to adopt specified emergency regulations in this regard.

This bill would declare that it is to take effect immediately as an urgency statute.

The people of the State of California do enact as follows:

SECTION 1. Section 14105.98 of the Welfare and Institutions Code is amended to read:

14105.98. (a) The following definitions shall apply for purposes of this section:

(1) ''Disproportionate share list'' means an annual list of disproportionate share hospitals that provide acute inpatient services issued by the department for purposes of this section.

(2) ''Fund'' means the Medi-Cal Inpatient Payment Adjustment Fund, created pursuant to Section 14163.

(3) ''Eligible hospital'' means a hospital included on a disproportionate share list, which is eligible to receive payment adjustments under this section with respect to a particular state fiscal year.

(4) ''Hospital'' means a health facility that is licensed pursuant to Chapter 2 (commencing with Section 1250) of Division 2 of the

Health and Safety Code to provide acute inpatient hospital services, and includes all components of the facility.

(5) ''Payment adjustment'' or ''payment adjustment amount'' means an amount paid under this section for acute inpatient hospital services provided by a disproportionate share hospital.

(6) ''Payment adjustment year'' means the particular state fiscal year with respect to which payments are to be made to eligible hospitals under this section.

(7) ''Payment adjustment program'' means the system of Medi-Cal payment adjustments for acute inpatient hospital services established by this section.

(8) ''Annualized Medi-Cal inpatient paid days'' means the total number of Medi-Cal acute inpatient hospital days, regardless of dates of service, for which payment was made by or on behalf of the department to a hospital, under present or previous ownership, during the most recent calendar year ending prior to the beginning of a particular payment adjustment year, including all Medi-Cal acute inpatient covered days of care for hospitals which are paid on a different basis than per diem payments.

(9) ''Low-income utilization rate'' means a percentage rate determined by the department in accordance with the requirements of Section 1396r-4(b)(3) of Title 42 of the United States Code, and included on a disproportionate share list.

(10) ''Low-income number'' means a hospital's low-income utilization rate rounded down to the nearest whole number, and included on a disproportionate share list.

(11) ''1991 Peer Grouping Report'' means the final report issued by the department dated May 1991, entitled ''Hospital Peer Grouping.''

(12) ''Major teaching hospital'' means a hospital that meets the definition of a university teaching hospital, major nonuniversity teaching hospital, or large teaching emphasis hospital as set forth on page 51 of the 1991 Peer Grouping Report.

(13) ''Children's hospital'' means a hospital that meets the definition of a children's hospital—state defined, as set forth on page 53 of the 1991 Peer Grouping Report, or which is listed in subdivision (a), or subdivisions (c) to (g), inclusive, of Section 16996.

(14) ''Acute psychiatric hospital'' means a hospital that meets the definition of an acute psychiatric hospital, a combination psychiatric/alcohol-drug rehabilitation hospital, or a psychiatric health facility, to the extent the facility is licensed to provide acute inpatient hospital service, as set forth on page 52 of the 1991 Peer Grouping Report.

(15) ''Alcohol-drug rehabilitation hospital'' means a hospital that meets the definition of an alcohol-drug rehabilitation hospital as set forth on page 52 of the 1991 Peer Grouping Report.

(16) ''Emergency services hospital'' means a hospital that is a licensed provider of basic emergency services as described in Sections 70411 to 70419, inclusive, of Title 22 of the California Code of Regulations, or that is a licensed provider of comprehensive emergency medical services as described in Sections 70451 to 70459, inclusive, of Title 22 of the California Code of Regulations.

(17) ''Medi-Cal day of acute inpatient hospital service'' means any acute inpatient day of service attributable to patients who, for those days, were eligible for medical assistance under the California state plan, including any day of service that is reimbursed on a basis other than per diem payments.

(18) ''Total per diem composite amount'' means, for each eligible hospital for a particular payment adjustment year, the total of the various per diem payment adjustment amounts to be paid to the hospital for each eligible day as calculated under the applicable provisions of this section.

(19) ''Supplemental lump-sum payment adjustment'' means a lump-sum amount paid under this section for acute inpatient hospital services provided by a disproportionate share hospital.

(20) ''Projected total payment adjustment amount'' means, for each eligible hospital for a particular payment adjustment year, the amount calculated by the department as the projected maximum total amount the hospital is expected to receive under the payment adjustment program for the particular payment adjustment year (including all per diem payment adjustment amounts and any applicable supplemental lump-sum payment adjustments).

(21) ''To align the program with the federal allotment'' means to modify the size of the payment adjustment program to be as close as reasonably feasible to, but not to exceed, the estimated or actual maximum state disproportionate share hospital allotment for the particular federal fiscal year for California under Section 1396r-4(f) of Title 42 of the United States Code.

(22) ''Descending pro rata basis'' means an allocation methodology under which a pool of funds is distributed to hospitals on a pro rata basis until one of the recipient hospitals reaches its maximum payment limit, after which all remaining amounts in the pool are distributed on a pro rata basis to the recipient hospitals that have not reached their maximum payment limits, until another hospital reaches its maximum payment limit, and which process is repeated until the entire pool of funds has been distributed among the recipient hospitals.

(23) ''Secondary supplemental payment adjustment'' means a payment adjustment amount, whether paid or payable, to an eligible hospital as a second type of supplemental distribution earned as of June 30, 1996, with respect to the 1995–96 payment adjustment year.

(24) ''OBRA 1993 payment limitation'' means the hospital-specific limitation on the total annual amount of payment adjustments to

each eligible hospital under the payment adjustment program that can be made with federal financial participation under Section 1396r-4(g) of Title 42 of the United States Code, as implemented pursuant to the Medi-Cal State Plan.

(25) ''Public hospital'' means a hospital that is licensed to a county, a city, a city and county, the State of California, the University of California, a local health care district, a local health authority, or any other political subdivision of the state.

(26) ''Nonpublic hospital'' means a hospital that satisfies all of the following:

(A) The hospital does not meet the definition of a public hospital as described in paragraph (25).

(B) The hospital does not meet the definition of a nonpublic-converted hospital as described in paragraph (27).

(C) The hospital does not meet the definition of a converted hospital as described in paragraph (28).

(27) ''Nonpublic-converted hospital'' means a hospital that satisfies all of the following, or, if two or more inpatient facilities are licensed by the department under a consolidated license, a hospital as to which any component of the hospital satisfies all of the following:

(A) The hospital does not meet the definition of a public hospital as described in paragraph (25).

(B) The hospital or such component, at any time during the 1994–95 payment adjustment year, was a public hospital as described in paragraph (25), whether or not the hospital or such component currently is located at the same site as it was located when it was a public hospital.

(C) The hospital does not meet the definition of a converted hospital as described in paragraph (28).

(28) ''Converted hospital'' means a hospital that satisfies both of the following:

(A) The hospital does not meet the definition of a public hospital as described in paragraph (25).

(B) The hospital, at any time during the 1999–2000 payment adjustment year, was an eligible hospital meeting the definition of a public hospital as described in paragraph (25), whether or not the hospital currently is located at the same site as it was located when it was a public hospital.

(29) ''Remained in operation'' or ''remains in operation'' means that, except for closure or other cessation of services caused by natural disasters or other events beyond the hospital's reasonable control, including labor disputes, the hospital was licensed to provide hospital inpatient services, and continued to provide, or was available to provide, hospital inpatient services to Medi-Cal patients throughout the particular time period in question.

(30) ''Maximum state disproportionate share hospital allotment for California'' means, with respect to the 1998 federal fiscal year and

subsequent federal fiscal years, that amount specified for California under Section 1396r-4(f) of Title 42 of the United State Code for that fiscal year, divided by the federal medical assistance percentage applicable for federal financial participation purposes for Medi-Cal program expenditures with respect to that same federal fiscal year.

(31) ''Applicable federal fiscal year'' means, with respect to the 2000–01 payment adjustment year and subsequent payment adjustment years, the federal fiscal year that commences on October 1 of the particular payment adjustment year.

(32) ''Medical assistance increment'' means the federal medical assistance percentage applicable for federal financial participation purposes for Medi-Cal program expenditures, expressed as a percentage, less the number one-half, expressed as a percentage.

(b) For each fiscal year commencing with 1991–92, there shall be Medi-Cal payment adjustment amounts paid to hospitals pursuant to this section. The amount of payments made and the eligible hospitals for each payment adjustment year shall be determined in accordance with the provisions of this section. The payments are intended to support health care services rendered by disproportionate share hospitals.

(c) For each fiscal year commencing with 1991–92, the department shall issue a disproportionate share list. The list shall be developed in accordance with subdivisions (e) and (f), and shall serve as a basis for payments under this section for the particular payment adjustment year.

(d) (1) Except as otherwise provided by this section, the payment adjustment amounts under this section shall be distributed as a supplement to, and concurrent with, payments on all billings for Medi-Cal acute inpatient hospital services that are paid through Medi-Cal claims payment systems on or after July 1, 1991. In connection with those billings, the department shall pay payment adjustment amounts in accordance with subdivision (g), (h), (i), or (j), as applicable, to any hospital qualifying under subdivision (e). In addition, the department shall pay to each of those hospitals any supplemental lump-sum payment adjustment amounts that are payable, and shall adjust payment amounts, in accordance with applicable provisions of this section. The nonfederal share of all payment adjustment amounts shall be funded by amounts from the fund. The department shall obtain federal matching funds for the payment adjustment program through customary Medi-Cal accounting procedures.

(2) As a limitation to paragraph (1), all payment adjustment amounts under this section, which are due with respect to billings paid through Medi-Cal claims payment systems on or after July 1, 1991, shall be suspended until the time federal approval is first obtained for the payment adjustment program as part of the Medi-Cal program. For purposes of this paragraph, federal approval

requires both (i) approval by appropriate federal agencies of an amendment to the Medi-Cal State Plan, as referred to in subdivision (o), and (ii) confirmation by appropriate federal agencies regarding the availability of federal financial participation for the payment adjustment program at a level of at least 40 percent of the percentage of federal financial participation that is normally applicable for Medi-Cal expenditures for acute inpatient hospital services. At the time federal approval is first obtained, the department shall proceed pursuant to subparagraphs (A) and (B) in connection with the suspended payment adjustment amounts.

(A) Except as provided by subdivision (*l*), or by any other subdivision of this section, any payment adjustment amounts which were suspended shall, within 60 days, be paid for all those billings paid through Medi-Cal claims payment systems during periods of time, on or after July 1, 1991, for which federal approval is first effective for the payment adjustment program.

(B) Payment adjustment amounts shall not be paid in connection with any Medi-Cal billings which were paid through Medi-Cal claims payment systems during any period of time for which federal approval is not effective for the payment adjustment program.

(3) As a limitation to paragraph (1), the amendments to this section enacted during calendar year 1993 shall not be implemented until the department has obtained any approvals that are necessary under federal law. Until all necessary federal approvals are obtained, the payment adjustment program shall continue as though no amendments had been enacted during calendar year 1993. When all necessary federal approvals have been obtained, the amendments enacted during calendar year 1993, shall be implemented effective as of the earliest effective date permissible under federal law.

(4) As a limitation to paragraph (1), amendments to this section enacted during calendar year 1994 shall not be implemented until the department has obtained any approvals that are necessary under federal law. Until all necessary federal approvals are obtained, the payment adjustment program shall continue as though no amendments had been enacted during calendar year 1994. When all necessary federal approvals have been obtained, the amendments enacted during calendar year 1994 shall be implemented effective as of the earliest effective date permissible under federal law. Notwithstanding any other provision of law, on or after the date that federal approval is obtained the payments made prior to that date with respect to the 1994–95 payment adjustment year or subsequent payment adjustment years shall be deemed nonfinal payments for purposes of this section and Section 14163. Any of those amounts paid or payable prior to that date shall then be compared to the payments that would have been made pursuant to the program changes as approved by the federal government for all periods of time

permissible under federal law, and the difference, if any, shall be paid or recouped by the department, as appropriate.

(5) As a limitation to paragraph (1), amendments to this section enacted during June 1996 shall not be implemented until the department has obtained any approvals that are necessary under federal law. Until all necessary federal approvals are obtained, the payment adjustment program shall continue as though no amendments had been enacted during June 1996. When all necessary federal approvals have been obtained, the amendments enacted during June 1996 shall be implemented effective as of the earliest effective date permissible under federal law. Notwithstanding any other provision of law, on or after the date that federal approval is obtained, the payments made prior to that date with respect to the 1995–96 payment adjustment year shall be deemed nonfinal payments for purposes of this section and Section 14163. Any of those amounts paid or payable prior to that date shall then be compared to the payments that would have been made pursuant to the program changes as approved by the federal government for all periods of time permissible under federal law, and the difference, if any, shall be paid or recouped by the department, as appropriate.

(6) As a limitation to paragraph (1), any amendment of this section enacted during the period August 1, 1996, to September 30, 1996, inclusive, shall not be implemented until the department has obtained any approvals that are necessary under federal law. Until all necessary federal approvals are obtained, the payment adjustment program shall continue as though no amendments had been enacted during the period August 1, 1996, to September 30, 1996, inclusive. When all necessary federal approvals have been obtained, the amendments enacted during the period August 1, 1996, to September 30, 1996, inclusive, shall be implemented effective as of the earliest effective date permissible under federal law. Notwithstanding any other provision of law, on or after the date that federal approval is obtained, the payments made prior to that date with respect to the 1996–97 payment adjustment year shall be deemed nonfinal payments for purposes of this section and Section 14163. Any of those amounts paid or payable prior to that date shall then be compared to the payments that would have been made pursuant to the program changes as approved by the federal government for all periods of time permissible under federal law, and the difference, if any, shall be paid or recouped by the department, as appropriate.

(7) As a limitation to paragraph (1), any amendment of this section enacted during the period September 1, 1997, to September 30, 1997, inclusive, shall not be implemented until the department has obtained any approvals that are appropriate under federal law. Until appropriate federal approvals are obtained, the payment adjustment program shall continue as though amendments had not been enacted during the period September 1, 1997, to September 30,

1997, inclusive. When appropriate federal approvals have been obtained, the amendments enacted during the period September 1, 1997, to September 30, 1997, inclusive, shall be implemented effective as of the earliest effective date permissible under federal law. Notwithstanding any other provision of law, on or after the date that federal approval is obtained, the payments made prior to that date with respect to the 1997–98 payment adjustment year shall be deemed nonfinal payments for purposes of this section and Section 14163. Any of those amounts paid or payable prior to that date shall then be compared to the payments that would have been made pursuant to the program changes as approved by the federal government for all periods of time permissible under federal law, and the difference, if any, shall be paid or recouped by the department, as appropriate.

(8) As a limitation to paragraph (1), any amendment of this section enacted during the 1998 calendar year shall not be implemented until the department has obtained any approvals that are appropriate under federal law. Until appropriate federal approvals are obtained, the payment adjustment program shall continue as though amendments had not been enacted during the 1998 calendar year. When appropriate federal approvals have been obtained, the amendments enacted during the 1998 calendar year shall be implemented effective as of the earliest effective date permissible under federal law. Notwithstanding any other provision of law, on or after the date that federal approval is obtained, the payments made prior to that date with respect to the particular payment adjustment year shall be deemed nonfinal payments for purposes of this section and Section 14163. Any of those amounts paid or payable prior to that date shall then be compared to the payments that would have been made pursuant to the program changes as approved by the federal government for all periods of time permissible under federal law, and the difference, if any, shall be paid or recouped by the department, as appropriate.

(9) As a limitation to paragraph (1), any amendment of this section enacted during the period of June 1, 1999, to June 30, 1999, inclusive, shall not be implemented until the department has obtained any approvals that are appropriate under federal law. Until appropriate federal approvals are obtained, the payment adjustment program shall continue as though amendments had not been enacted during the period of June 1, 1999, to June 30, 1999, inclusive. When appropriate federal approvals have been obtained, the amendments enacted during the period of June 1, 1999, to June 30, 1999, inclusive, shall be implemented effective as of the earliest effective date permissible under federal law. Notwithstanding any other provision of law, on or after the date that federal approval is obtained, the payments made prior to that date with respect to the particular payment adjustment year shall be deemed nonfinal payments for

purposes of this section and Section 14163. Any of those amounts paid or payable prior to that date shall then be compared to the payments that would have been made pursuant to the program changes as approved by the federal government for all periods of time permissible under federal law, and the difference, if any, shall be paid or recouped by the department, as appropriate.

(10) As a limitation to paragraph (1), any amendment of this section enacted during the period of June 1, 2000, to June 30, 2000, inclusive, shall not be implemented until the department has obtained any approvals that are appropriate under federal law. Until appropriate federal approvals are obtained, the payment adjustment program shall continue as though amendments had not been enacted during the period of June 1, 2000, to June 30, 2000, inclusive. When appropriate federal approvals have been obtained, the amendments enacted during the period of June 1, 2000, to June 30, 2000, inclusive, shall be implemented effective as of the earliest effective date permissible under federal law. Notwithstanding any other provision of law, on or after the date that federal approval is obtained, the payments made prior to that date with respect to the particular payment adjustment year shall be deemed nonfinal payments for purposes of this section and Section 14163. Any of those amounts paid or payable prior to that date shall then be compared to the payments that would have been made pursuant to the program changes as approved by the federal government for all periods of time permissible under federal law, and the difference, if any, shall be paid or recouped by the department, as appropriate.

(e) To qualify for payment adjustment amounts under this section, a hospital shall have been included on the disproportionate share list for the particular payment adjustment year. The list shall consist of those hospitals which satisfy both of the following requirements:

(1) The hospital shall meet the federal requirements for disproportionate share status set forth in subsection (d) of Section 1396r-4 of Title 42 of the United States Code.

(2) Either of the following shall apply:

(A) The hospital's medicaid inpatient utilization rate, as defined in Section 1396r-4(b)(2) of Title 42 of the United States Code, shall be at least one standard deviation above the mean medicaid inpatient utilization rate for hospitals receiving medicaid payments in the state.

(B) The hospital's low-income utilization rate shall exceed 25 percent.

(f) (1) For the 1991–92 payment adjustment year, a disproportionate share list shall be issued by the department no later than 65 days after the enactment of this section. For subsequent payment adjustment years, a tentative listing shall be prepared by the department at least 60 days before the beginning of the particular

payment adjustment year, and a disproportionate share list shall be issued no later than five days after the beginning of the particular payment adjustment year. All state agencies shall take all necessary steps to supply the most recent data available to the department to meet these deadlines. The Office of Statewide Health Planning and Development shall provide to the department quarterly access to the edited and unedited confidential patient discharge data files for all Medi-Cal eligible patients. The department shall maintain the confidentiality of that data to the same extent as is required of the Office of Statewide Health Planning and Development. In addition, the Office of Statewide Health Planning and Development shall provide to the department no later than March 1 of each year, the data specified by the department, as the data existed on the statewide data base file as of February 1 of each year (except that for the 1991–92 payment adjustment year, the Office of Statewide Health Planning and Development shall provide data as it existed on the statewide data base file as of August 30, 1991), from all of the following:

(A) Hospital annual disclosure reports, filed with the Office of Statewide Health Planning and Development pursuant to Section 443.31 or 128735 of the Health and Safety Code, for hospital fiscal years which ended during the calendar year ending 13 months prior to the applicable February 1.

(B) Annual reports of hospitals, filed with the Office of Statewide Health Planning and Development pursuant to Section 439.2 or 127285 of the Health and Safety Code, for the calendar year ending 13 months prior to the applicable February 1.

(C) Hospital patient discharge data reports, filed with the Office of Statewide Health Planning and Development pursuant to subdivision (g) of Section 443.31 or 128735 of the Health and Safety Code, for the calendar year ending 13 months prior to the applicable February 1.

(D) Any other materials on file with the Office of Statewide Health Planning and Development.

(2) The disproportionate share list shall show all of the following:

(A) The name and license number of the hospital.

(B) Expressed as a percentage, the hospital's Medi-Cal utilization rate and low-income utilization rate as referred to in paragraph (2) of subdivision (e). The department shall determine these rates in accordance with paragraph (4).

(C) Based on the hospital's low-income utilization rate, the hospital's low-income number.

(3) The department shall determine a hospital's satisfaction of paragraph (1) of subdivision (e) based on the most recent annual data available, as it existed on the Office of Statewide Health Planning and Development statewide data base file as of February 1 of each year, and August 30 for the 1991–92 payment adjustment

year, whether the data relates to operations under present or previous ownership.

(4) To determine a hospital's Medi-Cal inpatient utilization rate and low-income utilization rate for purposes of disproportionate share lists, the department shall utilize the same methodology, formulae, and data sources as set forth in connection with interim determinations in Attachment 4.19-A of the Medi-Cal State Plan (effective on or about July 1, 1990), and as subsequently amended by Medi-Cal State Plan amendments relating to the payment adjustment program submitted to and approved by the federal Health Care Financing Administration, except that the following shall apply:

(A) The calculations shall not be interim, but shall be final for purposes of this section.

(B) To the extent permitted by federal law, the payment adjustment amounts provided to hospitals pursuant to this section shall not be included for any purpose in the calculations and determinations made pursuant to this section.

(C) Any other variation otherwise required by this section or by federal law.

(D) The data utilized by the department shall relate to the hospital under present and previous ownership. When there has been a change of ownership, a change in the location of the main hospital facility, or a material change in patient admission patterns during the 24 months immediately prior to the payment adjustment year, and the change has resulted in a diminution of access for Medi-Cal inpatients at the hospital, all as determined by the department, the department shall, to the extent permitted by federal law, utilize current data that are reflective of the diminution of access, even if the data are not annual data.

(E) Unless expressly provided otherwise by this section, the hospital's low-income utilization rate shall be based on the most recent annual data available from annual hospital reports existing on the Office of Statewide Health Planning and Development data base file as of February 1 of each year.

(F) (i) If, for the 1994–95 payment adjustment year, some or all of the annual data elements available to the department from hospital reports filed with the Office of Statewide Health Planning and Development for purposes of computing hospital low-income utilization rates are different than in prior years due to changes in data reporting requirements of the Office of Statewide Health Planning and Development or changes in other state health care programs, the department shall take the necessary steps to obtain from hospitals appropriate data in order to clarify the annual data filed with the Office of Statewide Health Planning and Development. This shall be done by the department in order to ensure that low-income utilization rates are determined in a manner as

equivalent as possible to the approach and methodology used for the 1991–92 payment adjustment year.

(ii) The efforts of the department to obtain and apply data for the purposes described in clause (i) shall include a survey to collect, from one or more hospitals, any data necessary to calculate the low-income utilization rates in accordance with clause (i). The purpose for the survey shall be to clarify the data already included by hospitals in their annual reports submitted to the Office of Statewide Health Planning and Development. The data requested by the department in the survey may include, among other things, information regarding the manner in which payments made to hospitals under this section were reported by the hospitals to the Office of Statewide Health Planning and Development. The data requested may also include information regarding the manner in which hospitals reported figures relating to charity care, bad debts, and amounts received in connection with state or local indigent care programs.

(iii) In connection with any survey conducted under clause (ii), the department may require that hospitals submit responses in accordance with a deadline established by the department, and that the responses be supported by a verification of a hospital representative. Should any hospital not respond on a timely basis in accordance with protocols established by the department, the department shall utilize prior year data, adjusted by the department in its discretion, to calculate the hospital's low-income utilization rate.

(G) Notwithstanding any other provision of law, all payment adjustment amounts, including per diem payment adjustment amounts and supplemental lump-sum payment adjustments, paid or payable to a hospital under this section, shall be recorded on an accrual basis of accounting in reports filed by the hospital with the Office of Statewide Health Planning and Development or the department.

(5) For purposes of payment adjustment amounts under this section, each disproportionate share list shall be considered complete when issued by the department pursuant to paragraph (1). Nothing on a disproportionate share list, once issued by the department, shall be modified for any reason, other than mathematical or typographical errors or omissions on the part of the department or the Office of Statewide Health Planning and Development in preparation of the list.

(6) No Medi-Cal State Plan amendment of the type referred to in paragraph (4) shall be valid if inconsistent with this section. For those Medi-Cal State Plan amendments of the type referred to in paragraph (4), to be initially submitted to the federal Health Care Financing Administration on or after the operative date of this paragraph, these amendments shall be provided to representatives of the hospital industry, including, but not limited to, the California

Healthcare Association, as soon as possible, but in no event less than 30 days prior to submission of the amendment to the federal Health Care Financing Administration. If, in the public interest, the director determines that exigent circumstances necessitate that the 30-day requirement cannot be met, the director shall immediately in writing advise the Chairperson of the Senate Committee on Health and Human Services and the Assembly Committee on Health of the exigent circumstances and the department's timetable for providing the amendment to the hospital industry.

(g) For each Medi-Cal day of acute inpatient hospital service paid by or on behalf of the department during a payment adjustment year, regardless of dates of service, to a hospital on the applicable disproportionate share list, where that hospital, on the first day of the payment adjustment year, is a major teaching hospital, the hospital shall be paid the sum of all of the following amounts, except as limited by other applicable provisions of this section:

(1) A minimum payment adjustment of three hundred dollars ($300).

(2) The sum of the following amounts, minus three hundred dollars ($300):

(A) A ninety dollar ($90) payment adjustment for each percentage point, from 25 percent to 29 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(B) A seventy dollar ($70) payment adjustment for each percentage point, from 30 percent to 34 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(C) A fifty dollar ($50) payment adjustment for each percentage point, from 35 percent to 44 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(D) A thirty dollar ($30) payment adjustment for each percentage point, from 45 percent to 64 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(E) A ten dollar ($10) payment adjustment for each percentage point, from 65 percent to 80 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(3) If the sum calculated under paragraph (2) is less than zero, it shall be disregarded for payment purposes.

(h) For each Medi-Cal day of acute inpatient hospital service paid by or on behalf of the department during a payment adjustment year, regardless of dates of service, to a hospital on the applicable disproportionate share list, where that hospital, on the first day of the payment adjustment year, is a children's hospital, the hospital shall be paid the sum of four hundred fifty dollars ($450), except as limited by other applicable provisions of this section.

(i) For each Medi-Cal day of acute inpatient hospital service paid by or on behalf of the department during a payment adjustment year, regardless of dates of service, to a hospital on the applicable disproportionate share list, where that hospital, on the first day of the payment adjustment year, is an acute psychiatric hospital or an alcohol-drug rehabilitation hospital, the hospital shall be paid the sum of all of the following amounts, except as limited by other applicable provisions of this section:

(1) A minimum payment adjustment of fifty dollars ($50).

(2) The sum of the following amounts, minus fifty dollars ($50):

(A) A ten dollar ($10) payment adjustment for each percentage point, from 25 to 29 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(B) A seven dollar ($7) payment adjustment for each percentage point, from 30 to 34 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(C) A five dollar ($5) payment adjustment for each percentage point, from 35 to 44 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(D) A two dollar ($2) payment adjustment for each percentage point, from 45 to 64 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(E) A one dollar ($1) payment adjustment for each percentage point, from 65 to 80 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(3) If the sum calculated under paragraph (2) is less than zero, it shall be disregarded for payment purposes.

(j) For each Medi-Cal day of acute inpatient hospital service paid by or on behalf of the department during a payment adjustment year, regardless of dates of service, to a hospital on the applicable disproportionate share list, where that hospital does not meet the criteria for receiving payments under subdivision (g), (h), or (i) above, the hospital shall be paid the sum of all of the following amounts, except as limited by other applicable provisions of this section:

(1) A minimum payment adjustment of one hundred dollars ($100).

(2) If the hospital is an emergency services hospital at the time the payment adjustment is paid, a two hundred dollar ($200) payment adjustment.

(3) The sum of the following amounts minus one hundred dollars ($100), and minus an additional two hundred dollars ($200) if the hospital is an emergency services hospital at the time the payment adjustment is paid:

(A) A forty dollar ($40) payment adjustment for each percentage point, from 25 percent to 29 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(B) A thirty-five dollar ($35) payment adjustment for each percentage point, from 30 percent to 34 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(C) A thirty dollar ($30) payment adjustment for each percentage point, from 35 percent to 44 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(D) A twenty dollar ($20) payment adjustment for each percentage point, from 45 percent to 64 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(E) A fifteen dollar ($15) payment adjustment for each percentage point, from 65 percent to 80 percent, inclusive, of the hospital's low-income number as shown on the disproportionate share list.

(4) If the sum calculated under paragraph (3) is less than zero, it shall be disregarded for payment purposes.

(k) (1) For any particular payment adjustment year, no hospital may qualify for payments under more than one subdivision among subdivisions (g), (h), (i), and (j). If any hospital qualifies under more than one subdivision, the department shall determine which subdivision shall apply for payments.

(2) For each payment adjustment year beginning with 1992–93, the total applicable per diem payment adjustment amount calculated for each eligible hospital pursuant to subdivision (g), (h), (i), or (j) shall be adjusted by a percentage identical to the percentage increase in transfer amounts that the department has authorized for use pursuant to paragraph (1) of subdivision (h) of Section 14163 for the particular fiscal year.

(3) If an eligible hospital ordinarily is paid by or on behalf of the department for Medi-Cal acute inpatient hospital services based on a payment methodology other than per diem payments, the eligible hospital shall receive payment adjustment amounts under subdivision (g), (h), (i), or (j) of this section based on its approved Medi-Cal days of acute inpatient hospital care, in the same fashion as all other eligible hospitals under this section.

(*l*) (1) (A) In determining Medi-Cal days of service for purposes of payment adjustments under this section, the department shall recognize all acute inpatient hospital days of service required to be taken into account under federal law.

(B) For the 1992–93 payment year, the department may consider the Medi-Cal days of service provided by the qualifying hospitals for Medi-Cal patients covered by the prepaid health plans contracting directly with the Medi-Cal program in achieving their maximum payments.

(C) For 1993–94 and subsequent payment years, the department may consider the Medi-Cal days of service provided by hospitals for

Medi-Cal patients covered by the prepaid health plans contracting directly with the Medi-Cal program in determining the Medi-Cal utilization rate and the maximum days of payment. Additionally, the department may consider the days of service provided by the qualifying hospitals for Medi-Cal patients covered by the prepaid health plans contracting directly with the Medi-Cal program in achieving their maximum payments in those payment years.

(D) In order to meet the requirements of subparagraph (C), the Office of Statewide Health Planning and Development shall provide to the department quarterly access to all data elements on the edited and unedited confidential patient discharge data files, including Social Security account numbers. The department shall match these data with the department's Medi-Cal Eligibility Data System files to extract any data necessary to meet the requirements of subparagraph (C). The department shall maintain the confidentiality of all patient discharge data to the same extent as is required of the Office of Statewide Health Planning and Development.

(2) Notwithstanding paragraph (1), there shall be, for each eligible hospital, a maximum limit on the number of Medi-Cal acute inpatient hospital days for which payment adjustment amounts may be paid under this section with respect to each payment adjustment year. The maximum limit shall be that number of days that equals 80 percent of the eligible hospital's annualized Medi-Cal inpatient paid days, as determined from all Medi-Cal paid claims records available through April 1 preceding the beginning of the payment adjustment year.

(m) No payment rate for any service rendered by any hospital under the Medi-Cal selective provider contracting program shall be reduced as a result of this section.

(n) Notwithstanding any other provision of law, to the extent consistent with federal law, and except as provided by this section, no maximum payment limit shall be placed on the amount of Medi-Cal payment adjustments which may be made to disproportionate share hospitals. The payments made to disproportionate share hospitals pursuant to this section and Section 14105.99 shall not cause any other amounts paid or payable to a hospital to be deemed in excess of any applicable maximum payment limit.

(o) The department shall promptly seek any necessary federal approvals in order to implement this section, including any amendments. Pursuant to Section 1396r-4 of Title 42 of the United States Code, and related federal medicaid statutes and regulations, payment adjustment systems for inpatient hospital services rendered by disproportionate share hospitals shall be included in a state's medicaid plan. Therefore, the department shall, prior to the end of the calendar quarter during which this section is enacted or amended, submit for federal approval an amendment to the

Medi-Cal State Plan in connection with the payment adjustment program.

(p) (1) The department shall compute, prior to the beginning of each payment adjustment year, the projected size of the payment adjustment program for the particular payment adjustment year. To do so, the department shall determine the projected total payment adjustment amount for each eligible hospital, and shall add these amounts together to determine the projected total size of the program. To the extent this projected total figure for the program exceeds the portion of the maximum state disproportionate share hospital allotment for California under federal law that the department anticipates will be available for the period in question, the department shall reduce the total per diem composite amounts of the various eligible hospitals in the fashion described below so that the allotment in question will not be exceeded.

(2) As an initial step, all total per diem composite amounts for the entire payment adjustment year shall be reduced proportionately not to exceed 2 percent of each total per diem composite amount.

(3) If the reductions authorized by paragraph (2) are insufficient to align the program with the federal allotment for California, then, to the extent permitted by federal law, the following shall apply:

(A) The adjusted total per diem composite amounts, as calculated under paragraph (2), shall remain in effect for each eligible hospital whose low-income number is 30 percent or more.

(B) The adjusted total per diem composite amounts, as calculated under paragraph (2), for all other eligible hospitals shall be further reduced proportionately to align the program with the federal allotment, but in no event to a level that is less than 65 percent of the total per diem composite amount that would have been payable to the eligible hospital had no reductions taken place.

(4) If the steps set forth in paragraph (3) are not permissible under federal law, or are not adequate to align the program with the federal allotment, the adjusted total per diem composite amounts for all eligible hospitals for the entire payment adjustment year shall be further reduced proportionately to align the program with the federal allotment, but in no event to a level that would result in adjusted total per diem composite amounts that are less than 65 percent of the total per diem composite amounts that would have been payable had no reductions taken place.

(5) When all eligible hospitals have been reduced to the 65-percent level set forth in paragraphs (3) and (4), the adjusted total per diem composite amounts for all eligible hospitals shall be further reduced proportionately as necessary to align the program with the federal allotment.

(6) This subdivision shall not apply to the 1995–96 payment adjustment year.

(q) (1) If it is necessary to apply the provisions of paragraph (3) of subdivision (p) at any time, the department shall, as soon as practicable, evaluate why the insufficiency arose and identify the projected occurrence and duration of any future insufficiencies.

(2) If the department determines as a result of the evaluations under paragraph (1) that (A) implementation of paragraph (3) of subdivision (p) will likely be necessary to resolve additional insufficiencies for the current payment adjustment year or the next payment adjustment year; and (B) that the level of federal financial participation realized by the payment adjustment program, for the current payment adjustment year as a whole, will be less than 30 percent of the percentage of federal financial participation that normally is applicable for Medi-Cal expenditures for acute inpatient hospital services, and that the level of federal financial participation for the payment adjustment program is expected to continue to remain below that 30-percent level for the next payment adjustment year as a whole, the department shall, as soon as practicable, implement paragraphs (3) and (4).

(3) If the department determines that the circumstances described in paragraph (2) are present, the payment adjustment program shall be terminated, effective as of the earliest date permissible under federal law. In that event, all installment payments to the fund which are already due pursuant to Section 14163 at the time of the department's determination shall remain due, and shall be collected by the Controller. However, installment payments which are not yet due at that time shall not become due.

(4) Within 90 days after the termination of the payment adjustment program, as referred to in paragraph (3), or as soon as practicable, the department shall determine whether any amounts remain in the fund that are not needed to pay prior payment adjustment amounts under this section. If remaining amounts exist in the fund, they shall be refunded to transferor entities on a pro rata basis, within 45 days after the date of the department's determination.

(r) (1) The state shall be held harmless from any federal disallowance resulting from payments made under this section, and from payments made to hospitals based on transfers accepted by the department under Section 14164. Any hospital that has received payments under this section, or based on transfers accepted by the department under Section 14164, shall be liable for any audit exception or federal disallowance only with respect to the payments made to that hospital. The department shall recoup from a hospital the amount of any audit exception or federal disallowance in the manner authorized by applicable laws and regulations.

(2) Notwithstanding any other provisions of law, if any payment adjustment that has been paid, or that otherwise would have been payable to an eligible hospital under this section, exceeds the OBRA

1993 payment limitation for the particular hospital, the department shall withhold or recoup the payment adjustment amount that exceeds the limitation. The nonfederal component of the amount withheld or recouped shall be redeposited in, or shall remain in, the fund, as applicable, until used for the purposes described in paragraph (2) of subdivision (j) of Section 14163.

(s) (1) The department may utilize existing administrative appeal procedures for purposes of any appealable matter that arises under the payment adjustment program. The matters that may be appealed shall be limited to those related to the following:

(A) Paragraph (5) of subdivision (f).

(B) State audit disallowances of amounts paid to hospitals under the payment adjustment program.

(2) Calculations which are final pursuant to paragraph (4) or (5) of subdivision (f) or the procedures or data on which those calculations are based, shall not be appealed.

(t) (1) Except as provided in paragraph (2), the department shall take all appropriate steps permitted by law and the Medi-Cal State Plan to ensure the following for all years of the payment adjustment program:

(A) That well-baby (nursery) days and acute administrative days are included in the payment adjustment program in the same fashion as all other Medi-Cal days of acute inpatient hospital service.

(B) That, to the same extent as any other Medi-Cal days of acute inpatient hospital service, well-baby (nursery) days and acute administrative days are included as payable days under the payment adjustment program and in the total of annualized Medi-Cal inpatient paid days.

(C) That, if pursuant to paragraph (2), any well-baby (nursery) days or acute administrative days are not included in the payment adjustment program for payment purposes for any parts of the 1992–93 or 1993–94 payment adjustment years, all those days are nevertheless included in the total of annualized Medi-Cal inpatient paid days for all purposes under the payment adjustment program, unless otherwise barred by paragraph (2).

(2) In no event shall paragraph (1) be implemented in a fashion that is inconsistent with federal medicaid law or the Medi-Cal State Plan.

(u) (1) For the 1993–94 payment adjustment year, each eligible hospital shall also be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the hospital being included on the disproportionate share list as of September 30, 1993. For purposes of federal medicaid rules, including Section 447.297(d) of Title 42 of the Code of Federal Regulations, the supplemental payment adjustments shall be applicable to the federal fiscal year that ends on September 30, 1993.

(2) The availability of supplemental payment adjustments under this subdivision shall be determined as follows:

(A) The final maximum state disproportionate share hospital allotment for California under the provisions of applicable federal medicaid rules shall be identified for the 1993 federal fiscal year. This final allotment is two billion one hundred ninety-one million four hundred fifty-one thousand dollars ($2,191,451,000), as specified at page 43186 of Volume 58 of the Federal Register.

(B) The total amount of all per diem payment adjustment amounts under this section, whether paid or payable, that are applicable to the 1993 federal fiscal year shall be determined. The applicability of the per diem payment adjustment amounts to the 1993 federal fiscal year shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(C) The figure determined under subparagraph (B) shall be subtracted from the figure identified under subparagraph (A). If the remainder is a positive figure, supplemental lump-sum payment adjustments shall be made under this subdivision in accordance with paragraph (3).

(3) The amount of the supplemental lump-sum payment adjustment to each eligible hospital shall be computed as follows:

(A) The projected total of all per diem payment adjustment amounts payable to each particular eligible hospital under this section for the 1993–94 payment adjustment year shall be determined. For each hospital, this figure shall be identical to the figure used for the same hospital in the calculations regarding transfer amounts under subdivision (h) of Section 14163 for the 1993–94 state fiscal year.

(B) The projected totals for all eligible hospitals determined under subparagraph (A) shall be added together to determine an aggregate total of all projected per diem payment adjustments for the 1993–94 payment adjustment year. This figure shall be identical to the aggregate figure for all hospitals used in the calculations regarding transfer amounts under subdivision (h) of Section 14163 for the 1993–94 state fiscal year.

(C) The figure determined for each eligible hospital under subparagraph (A) shall be divided by the aggregate figure determined under subparagraph (B), yielding a percentage figure for each hospital.

(D) The percentage figure determined for each hospital under subparagraph (C) shall be multiplied by the positive remainder calculated under subparagraph (C) of paragraph (2).

(E) The product as so determined for each eligible hospital under subparagraph (D) shall be the supplemental lump-sum payment adjustment amount payable to the particular hospital.

(4) The department shall make partial payments of the supplemental lump-sum payment adjustments to eligible hospitals on or before January 1, 1994. The department shall make final calculations regarding the supplemental lump-sum payments based on data available as of March 1, 1994, and shall distribute the final payments promptly thereafter.

(5) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available. In doing so, the department shall comply with any procedures instituted by the Health Care Financing Administration in connection with Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(v) (1) For the 1993–94 payment adjustment year, each eligible hospital that remains in operation as of June 30, 1994, shall also be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the hospital being a disproportionate share hospital in operation as of that date.

(2) The availability of supplemental lump-sum payment adjustments under this subdivision shall be determined by the department as follows:

(A) The final maximum state disproportionate share hospital allotment for California under the provisions of applicable federal medicaid rules shall be identified for the 1994 federal fiscal year. This final allotment is two billion one hundred ninety-one million four hundred fifty-one thousand dollars ($2,191,451,000), as specified on page 22676 of Volume 59 of the Federal Register.

(B) The total amount of all per diem payment adjustment amounts under this section, whether paid or payable, that are applicable to the period October 1, 1993, through June 30, 1994, shall be determined. The applicability of the per diem payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(C) The figure determined under subparagraph (B) shall be subtracted from the figure identified under subparagraph (A). If the remainder is a positive figure, supplemental lump-sum payment adjustments shall be made under this subdivision in accordance with paragraph (3).

(3) The amount of the supplemental lump-sum payment adjustment to each hospital shall be computed as follows:

(A) The projected total of all other payment adjustment amounts payable to each particular hospital under this section applicable to the 1993–94 payment adjustment year shall be determined. For each hospital, this figure shall be identical to the sum of the figures used

for the same hospital in the calculations regarding transfer amounts under subdivision (h) of Section 14163 for the 1993–94 state fiscal year, not including the supplemental lump-sum payments described in this subdivision.

(B) The projected totals for all hospitals determined under subparagraph (A) shall be added together to determine an aggregate total. This aggregate total shall be identical to the aggregate figure for all hospitals used in the calculations regarding transfer amounts under subdivision (h) of Section 14163 for the 1993–94 state fiscal year, not including the supplemental lump-sum payments described in this subdivision.

(C) The figure determined for each hospital under subparagraph (A) shall be divided by the aggregate figure determined under subparagraph (B), yielding a percentage figure for each hospital.

(D) The percentage figure determined for each hospital under subparagraph (C) shall be multiplied by the positive remainder calculated under subparagraph (C) of paragraph (2).

(E) The product determined under subparagraph (D) for each hospital shall be the supplemental lump-sum payment adjustment amount payable to the particular hospital, which shall be payable because the facility is a disproportionate share hospital in operation as of June 30, 1994.

(4) The department shall make interim and final payments of the supplemental lump-sum payment adjustments to hospitals on or before October 31, 1994.

(5) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available. In doing so, the department shall comply with any procedures instituted by the Health Care Financing Administration in connection with Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(w) (1) For the 1994–95 payment adjustment year, each eligible hospital that remains in operation as of June 30, 1995, shall also be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the hospital being a disproportionate share hospital in operation as of that date.

(2) The availability of supplemental lump-sum payment adjustments under this subdivision shall be determined by the department as follows:

(A) The final maximum state disproportionate share hospital allotment for California under the provisions of applicable federal medicaid rules shall be identified for the 1995 federal fiscal year.

(B) The total amount of all per diem payment adjustment amounts under this section, whether paid or payable, that are applicable to the period October 1, 1994, through June 30, 1995, shall

be determined. The applicability of the per diem payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(C) The figure determined under subparagraph (B) shall be subtracted from the figure identified under subparagraph (A). If the remainder is a positive figure, supplemental lump-sum payment adjustments shall be made under this subdivision in accordance with paragraph (3).

(3) The amount of the supplemental lump-sum payment adjustment to each hospital shall be computed as follows:

(A) The projected total of all other payment adjustment amounts payable to each particular hospital under this section applicable to the 1994–95 payment adjustment year shall be determined. For each hospital, this figure shall be identical to the sum of the figures used for the same hospital in the calculations regarding transfer amounts under subdivision (h) of Section 14163 for the 1994–95 state fiscal year, not including the supplemental lump-sum payments described in this subdivision.

(B) The projected totals for all hospitals determined under subparagraph (A) shall be added together to determine an aggregate total. This aggregate total shall be identical to the aggregate figure for all hospitals used in the calculations regarding transfer amounts under subdivision (h) of Section 14163 for the 1994–95 state fiscal year, not including the supplemental lump-sum payments described in this subdivision.

(C) The figure determined for each hospital under subparagraph (A) shall be divided by the aggregate figure determined under subparagraph (B), yielding a percentage figure for each hospital.

(D) The percentage figure determined for each hospital under subparagraph (C) shall be multiplied by the positive remainder calculated under subparagraph (C) of paragraph (2).

(E) The product as so determined under subparagraph (D) for each hospital shall be the supplemental lump-sum payment adjustment amount payable to the particular hospital, which shall be payable because the facility is a disproportionate share hospital in operation as of June 30, 1995.

(4) The department shall make interim and final payments of the supplemental lump-sum payment adjustments to hospitals on or before October 31, 1995.

(5) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available. In doing so, the department shall comply with any procedures instituted by the Health Care Financing Administration in connection with Sections

447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(x) (1) With respect to per diem payment adjustments otherwise payable in connection with the period of July 1 through September 30 of the 1994–95 payment adjustment year, payment adjustment amounts shall be adjusted as described in paragraph (2).

(2) No per diem payment adjustment amounts shall be payable in connection with the period of July 1 through September 30 of the 1994–95 payment adjustment year. The Medi-Cal days of acute inpatient hospital service paid by or on behalf of the department that otherwise would have given rise to payment adjustment amounts with respect to this period of time shall not count toward the maximum limit set forth in paragraph (2) of subdivision (*l*).

(y) Notwithstanding any other provision of law, except subdivision (z), the payment adjustment program for the 1995–96 payment adjustment year shall be structured as set forth below.

(1) (A) The department shall, in the manner used for prior years, compute the projected total payment adjustment amounts for all eligible hospitals, by determining for each eligible hospital its total per diem composite amount and multiplying that figure by 80 percent of the hospital's annualized Medi-Cal inpatient paid days.

(B) The products of the calculations under subparagraph (A) for all eligible hospitals shall be added together. The sum of all these figures shall be the unadjusted projected total payment adjustment program for the 1995–96 payment adjustment year.

(2) The remaining amount available as part of the state disproportionate share hospital allotment for California under applicable federal rules for July 1995 through September 1995 (as part of the 1995 federal fiscal year) shall be recognized as being zero.

(3) The department shall estimate what the state disproportionate share hospital allotment for California will be for the 1996 federal fiscal year under applicable federal rules. The estimate shall not exceed the allotment that was applicable for California for the 1995 federal fiscal year.

(4) The estimate identified by the department under paragraph (3) shall be reduced by subtracting the total amount of the supplemental lump-sum payments paid or payable under subdivisions (v) and (w).

(5) The remainder determined under paragraph (4) shall be added to the amount determined under paragraph (2). The total of those two amounts shall be the unadjusted tentative size of the payment adjustment program for the 1995–96 payment adjustment year.

(6) The total per diem composite amount computed for each eligible hospital under subparagraph (A) of paragraph (1) shall be modified as follows:

(A) The department shall reduce the total per diem composite amount for each eligible hospital by multiplying the amount by an identical percentage. The percentage figure to be used for this purpose shall be that percentage that is derived by dividing the amount determined under paragraph (5) by the unadjusted projected total payment adjustment program amount determined under subparagraph (B) of paragraph (1).

(B) The percentage figure derived under subparagraph (A) shall be applied to the total per diem composite amount for each eligible hospital, yielding an adjusted total per diem composite amount for each hospital for the 1995–96 payment adjustment year.

(C) (i) The adjusted total per diem composite amount determined under subparagraph (B) for each eligible hospital shall be multiplied by 80 percent of the hospital's annualized Medi-Cal inpatient paid days.

(ii) The amount computed for each hospital under clause (i) shall be compared to the OBRA 1993 payment limitation that, in accordance with applicable provisions of the Medi-Cal State Plan, the department has computed for the particular hospital.

(iii) Where the amount computed under clause (i) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount computed under clause (i) shall be used for purposes of clause (v).

(iv) Where the amount computed under clause (i) for the particular hospital exceeds the OBRA 1993 payment limitation for the hospital, the amount computed under clause (i) shall be reduced to an amount equal to the OBRA 1993 payment limitation for the particular hospital. The amount as so reduced shall be used for purposes of clause (v).

(v) The amount for each hospital, as determined under either clause (iii) or clause (iv), as applicable, shall be the adjusted projected total payment adjustment amount for the hospital for the 1995–96 payment adjustment year.

(D) The adjusted figures computed for all eligible hospitals under subparagraph (C) shall be added together, yielding the adjusted tentative size of the payment adjustment program for the 1995–96 payment adjustment year.

(7) The adjusted tentative size of the payment adjustment program for the 1995–96 payment adjustment year as determined under subparagraph (D) of paragraph (6), and the adjusted projected total payment adjustment amount for each eligible hospital, as determined under subparagraph (C) of paragraph (6), shall be distributed as follows:

(A) No per diem payment adjustment amounts shall be payable in connection with the period of July 1 through September 30 of the 1995–96 payment adjustment year. The Medi-Cal days of acute inpatient hospital service paid by or on behalf of the department that

otherwise would have given rise to payment adjustment amounts with respect to this period of time shall not count toward the maximum limit set forth in paragraph (2) of subdivision (*l*).

(B) For all eligible hospitals, the adjusted per diem composite amounts (as determined under subparagraph (B) of paragraph (6)) shall be the amounts payable with respect to the period of October 1 through June 30 of the 1995–96 payment adjustment year, subject to the applicable provisions of subdivision (z).

(8) For the 1995–96 payment adjustment year, each eligible hospital that remains in operation as of June 30, 1996, shall also be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date. The availability of supplemental lump-sum payment adjustments under this paragraph shall be determined by the department as follows:

(A) The adjusted projected total payment adjustment amount for each hospital, as determined under subparagraph (C) of paragraph (6), shall be identified.

(B) The total amount of all per diem payment adjustment amounts under this section, whether paid or payable, that are applicable to the period July 1, 1995, through June 30, 1996, shall be determined for each hospital, taking into account subparagraph (A) of paragraph (7). The applicability of the per diem payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(C) The amount determined under subparagraph (B) for each hospital shall be subtracted from the amount identified under subparagraph (A) for each hospital. If the remainder is a positive figure for the particular hospital, the supplemental lump-sum payment adjustment for the hospital shall be the positive remainder amount, which shall be payable because the facility is a disproportionate share hospital in operation as of June 30, 1996.

(D) The department shall make interim and final payments of the supplemental lump-sum payment adjustments under this paragraph on or before September 30, 1996.

(9) Except as provided in subparagraph (C), for the 1995–96 payment adjustment year each eligible hospital that remains in operation as of June 30, 1996, shall also be eligible to receive a secondary supplemental payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date. The availability of secondary supplemental payment adjustments under this paragraph shall be determined by the department as follows:

(A) The maximum amount of secondary supplemental payment adjustments available pursuant to this paragraph shall be calculated as follows:

(i) The total amount of all per diem payment adjustment amounts, whether paid or payable, for the 1995–96 payment adjustment year, as determined under subparagraph (B) of paragraph (8), shall be identified.

(ii) The total amount of all supplemental lump-sum payment adjustments, whether paid or payable, as determined under subparagraph (C) of paragraph (8), shall be identified.

(iii) The department shall estimate the total amount of payment adjustments under this section that it anticipates will be applicable to the period July 1, 1996, through September 30, 1996. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(iv) The department shall identify the amount of the final maximum state disproportionate share hospital allotment for California for the 1996 federal fiscal year under applicable federal rules. The amount identified shall not exceed two billion one hundred ninety-one million four hundred fifty-one thousand dollars ($2,191,451,000).

(v) The amounts identified or estimated under clauses (i), (ii), and (iii) shall be added together, and the sum of these amounts shall be subtracted from the amount identified under clause (iv). The remainder determined from this calculation, or the amount of two hundred million dollars ($200,000,000), whichever is less, shall be the maximum amount available for secondary supplemental payment adjustments under this paragraph.

(B) The maximum amount available for secondary supplemental payment adjustments, as identified under clause (v) of subparagraph (A), shall be distributed to eligible hospitals as follows:

(i) The total amount of all per diem payment adjustments and supplemental lump-sum payment adjustments relating to the 1995–96 payment adjustment year, whether paid or payable, shall be identified for each eligible hospital. However, notwithstanding any other provision of law, those hospitals referred to in subparagraph (C) shall not be included in this step, and shall not receive any secondary supplemental payment adjustments, as described in subparagraph (C).

(ii) For purposes of secondary supplemental payment adjustments, the eligible hospitals shall be classified into various groups. No hospital may qualify for more than one of these groups. Notwithstanding subclause (II), the hospitals described in subparagraph (C) shall not be included in any of these groups. The following groups of hospitals shall be recognized:

(I) ''State of California hospitals,'' which shall include all eligible hospitals that, as of July 1, 1995, were licensed to the State of California or to the University of California.

(II) ''County hospitals,'' which shall include all eligible hospitals that, as of July 1, 1995, were licensed to a county or a city and county, but shall exclude those hospitals referred to in subparagraph (C).

(III) ''Other public hospitals,'' which shall include all eligible hospitals that, as of July 1, 1995, were licensed to a local hospital district, a local health authority, a city, or any other noncounty political subdivision of the state.

(IV) ''Children's hospitals,'' which shall include all eligible hospitals that, as of July 1, 1995, were included in the children's hospital group under subdivision (h).

(V) ''Other nonpublic hospitals,'' which shall include all eligible hospitals that are not included in any group described in subclauses (I) through (IV).

(iii) The amount determined to be the maximum amount of secondary supplemental payment adjustments under clause (v) of subparagraph (A) shall first be allocated among the groups of hospitals referred to in clause (ii), as follows:

(I) ''State of California hospitals'': 64.35 percent of the maximum amount.

(II) ''County hospitals'': 18.095 percent of the maximum amount.

(III) ''Other public hospitals'': 0.65 percent of the maximum amount.

(IV) ''Children's hospitals'': 6.755 percent of the maximum amount.

(V) ''Other nonpublic hospitals'': 10.15 percent of the maximum amount.

(iv) (I) The amount of funds allocated pursuant to clause (iii) to each of the particular groups of hospitals referred to in clauses (ii) and (iii) shall then be distributed as secondary supplemental payment adjustments among the eligible hospitals within each particular group. The secondary supplemental distributions shall be made on a descending pro rata basis within each group. Each cycle of the descending pro rata distribution shall be considered to be a phase of the process. As described in subclauses (II) to (V), inclusive, in each phase of the descending pro rata distribution, the pro rata share of the distribution to each hospital that remains eligible to receive additional distributions shall be computed based on the ratio of the total payment adjustments that the particular hospital has already earned under the payment adjustment program for the 1995–96 payment adjustment year, as compared to the total payment adjustments already earned by the other hospitals in the particular group that remain eligible to receive the additional distributions.

(II) For the first phase, the total amount of payment adjustments under this section for the 1995–96 payment adjustment year,

including all per diem payment adjustments and all supplemental lump-sum payment adjustments, that are determined by the department as already being paid or payable to each hospital eligible for the distribution shall be determined.

(III) The figures determined under subclause (II) for each hospital in the particular group shall be added together to determine an aggregate total.

(IV) The figures determined for each hospital under subclause (II) shall be divided by the aggregate total determined under subclause (III), yielding a percentage figure for each hospital.

(V) The percentage figure determined for each hospital under subclause (IV) shall be applied to the maximum portion of the funds allocated to the particular group under clause (iii) that can be distributed in the particular phase until a hospital in the particular group reaches the limitation set forth in clause (v).

(v) For each hospital, no secondary supplemental payment adjustment shall be paid to the extent that either of the following conditions exist:

(I) The secondary supplemental payment adjustment would cause the total of all payment adjustments to the hospital under this section relating to the 1995–96 payment adjustment year to exceed the amount that is the product of multiplying 0.95 times the particular hospital's OBRA 1993 payment limitation for the 1995–96 payment adjustment year, as computed by the department in accordance with applicable provisions of the Medi-Cal State Plan.

(II) Without regard to any secondary supplemental payment adjustment, the hospital has already received or has earned payment adjustments relating to the 1995–96 payment adjustment year that equal or exceed the product referred to in subclause (I).

(vi) Any secondary supplemental payment adjustment amount, or portion thereof, that otherwise would have been payable to a particular hospital under this paragraph, but that is barred by the limitation described in clause (v), shall be distributed by the department through additional phases of the descending pro rata distribution process to those hospitals within the same group, as set forth in clauses (ii) and (iii), as the particular hospital. For each additional phase, the mathematical steps referred to in subclauses (II) to (V), inclusive, of clause (iv) shall be repeated for those hospitals that have not reached the limitation set forth in clause (v). The phases shall continue until the funds allocated to the particular group under clause (iii) have been fully exhausted. No such distribution, however, shall be in an amount that would cause any hospital to exceed the limitation set forth in clause (v).

(C) Notwithstanding any other provision of law, prior to the allocation or distribution of any secondary supplemental payment adjustments, hospitals that, as of July 1, 1995, were part of a county-operated health system of three or more eligible hospitals

licensed to the county, shall be deemed to have reached the limitations on total payments described in subclause (II) of clause (v) of subparagraph (B). Data regarding payment adjustments earned by these hospitals with respect to the 1995–96 payment adjustment year, whether paid or payable, shall be included in the computations under subparagraph (A), but excluded from the computations under subparagraph (B).

(D) The department shall make payments of the secondary supplemental payment adjustments to hospitals on or before November 30, 1996.

(10) The final total amount of per diem payment adjustments paid by the department for the 1995–96 payment adjustment year, plus the final total amount of supplemental lump-sum payment adjustments and secondary supplemental payment adjustments paid by the department for the 1995–96 payment adjustment year, shall be the maximum size of the payment adjustment program for the 1995–96 payment adjustment year.

(11) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available. In doing so, the department shall comply with any procedures instituted by the Health Care Financing Administration in connection with Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(z) (1) (A) Notwithstanding any other provision of law (except for subparagraph (B)), all Medi-Cal days of acute inpatient hospital service paid by or on behalf of the department that give rise to payment adjustment amounts with respect to the period October 1, 1994, through June 30, 1995, shall be treated as involving 1.4 days for purposes of payment adjustments with respect to this period of time. As a result, each per diem payment adjustment amount otherwise payable to the hospital in connection with these days shall be increased by 40 percent. The Medi-Cal days in question shall be treated as involving 1.4 days toward the maximum limit set forth in paragraph (2) of subdivision (*l*). The Medi-Cal days in question shall be treated as involving 1.0 days for purposes of determining the hospital's annualized Medi-Cal inpatient paid days for the next applicable payment adjustment year.

(B) For the 1994–95 payment adjustment year, no eligible hospital shall receive total payment adjustments, including per diem payment adjustment amounts and any supplemental lump-sum payment adjustment amounts, in excess of the projected total payment adjustment amounts that were computed or recomputed, as applicable, for the hospital by the department with respect to the 1994–95 payment adjustment year. For each hospital, this maximum figure shall not exceed the sum of the following two components:

(i) The final figure computed by the department as the hospital's total per diem composite amount (including any applicable adjustments under subdivision (p)), multiplied by 80 percent of the hospital's annualized Medi-Cal inpatient paid days.

(ii) The amount calculated by the department as the hospital's pro rata share (based on the figures for all hospitals computed under clause (i)) of the remainder determined by subtracting (I) the sum of the figures computed for all hospitals under clause (i) from (II) the final maximum state disproportionate share hospital allotment for California under applicable federal rules for the 1995 federal fiscal year.

(C) Any payment adjustment amount that otherwise would be payable to a hospital, but that is barred by subparagraph (B), shall be withheld or recouped by the department and distributed on a descending pro rata basis as part of the supplemental lump-sum distribution described in subdivision (w) to those hospitals that have not reached their maximum figures as described in subparagraph (B).

(2) (A) Notwithstanding any other provision of law, except for subparagraph (B), all Medi-Cal days of acute inpatient hospital service paid by or on behalf of the department that give rise to payment adjustment amounts with respect to the period October 1, 1995, through June 30, 1996, shall be treated as involving 1.4 days for purposes of payment adjustments with respect to this period of time. As a result, each per diem payment adjustment amount otherwise payable to the hospital in connection with these days shall be increased by 40 percent. The Medi-Cal days in question shall be treated as involving 1.4 days toward the maximum limit set forth in paragraph (2) of subdivision (*l*). The Medi-Cal days in question shall be treated as involving 1.0 days for purposes of determining the hospital's annualized Medi-Cal inpatient paid days for the next applicable payment adjustment year.

(B) For the 1995–96 payment adjustment year, no eligible hospital shall receive total payment adjustments, including per diem payment adjustment amounts, supplemental lump-sum payment adjustment amounts, and secondary supplemental payment adjustments in excess of the hospital's OBRA 1993 payment limitation as computed by the department pursuant to the Medi-Cal State Plan. No hospital shall receive secondary supplemental payment adjustments to the extent the payment adjustments would be inconsistent with paragraph (9) of subdivision (y).

(C) Any payment adjustment amount that otherwise would be payable to a hospital, but that is barred by subparagraph (B), shall be withheld or recouped by the department and thereafter distributed to other eligible hospitals, refunded to transferors, or otherwise processed in accordance with this section and Section 14163.

(3) Notwithstanding any other provision of law, to the extent necessary or appropriate to implement and administer the amendments to this section enacted during the 1994 calendar year, the department may utilize an approach involving interim payments, with reconciliation to final payments within a reasonable time.

(aa) (1) For the 1996–97 payment adjustment year, each eligible hospital that remains in operation as of June 30, 1997, shall also be eligible to receive a supplemental lump-sum payment adjustment, that shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date. The availability of supplemental lump-sum payment adjustments under this paragraph shall be determined by the department as follows:

(A) The projected total payment adjustment amount for each hospital, as determined by the department at the outset of the payment adjustment year, including any reductions arising from payment limitations under this section, shall be identified. For each hospital, this amount shall be identical to the amount that was used for the same hospital in the calculations made at the outset of the 1996–97 state fiscal year regarding transfer amounts under subdivision (h) of Section 14163 for that fiscal year.

(B) The total amount of all per diem payment adjustment amounts under this section, whether paid or payable, that are applicable to the period July 1, 1996, through June 30, 1997, shall be determined for each hospital. The applicability of the per diem payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(C) The amount determined under subparagraph (B) for each hospital shall be subtracted from the amount identified under subparagraph (A) for each hospital. If the remainder is a positive figure for the particular hospital, the supplemental lump-sum payment adjustment for the hospital shall be the positive remainder amount, which shall be payable because the facility is a disproportionate share hospital in operation as of June 30, 1997.

(D) The department shall make interim and final payments of the supplemental lump-sum payment adjustments under this paragraph on or before September 30, 1997.

(2) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available. In doing so, the department shall comply with any procedures instituted by the Health Care Financing Administration in connection with Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(ab) (1) For the 1997–98 payment adjustment year, eligible hospitals that meet the requirements of this subdivision and that remain in operation as of September 30, 1997, shall be eligible to receive a special supplemental payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date. For purposes of federal medicaid rules, including Section 447.297(d) of Title 42 of the Code of Federal Regulations, the special supplemental payment adjustments shall be applicable to the federal fiscal year that ends on September 30, 1997.

(2) The availability of special supplemental payment adjustments under this subdivision shall be determined as follows:

(A) The final maximum state disproportionate share hospital allotment for California under the provisions of applicable federal medicaid rules shall be identified for the 1997 federal fiscal year.

(B) The total amount of all per diem payment adjustment amounts and supplemental payment adjustments under this section (exclusive of any payments under this subdivision) applicable to the 1997 federal fiscal year, whether paid or payable, shall be determined. The applicability of per diem payment adjustment amounts and supplemental payment adjustments of all types to the 1997 federal fiscal year shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(C) The figure determined under subparagraph (B) shall be subtracted from the figure identified under subparagraph (A). If the remainder is a positive figure, special supplemental payment adjustments shall be made under this subdivision in accordance with paragraph (3). The positive remainder shall be the maximum amount of special supplemental payment adjustments under this subdivision.

(3) (A) For purposes of these special supplemental payment adjustments, only hospitals that can be categorized into either of the two groups specified in clauses (i) and (ii) shall be eligible to receive the supplemental payment adjustments, and no hospital may qualify for more than one of the two groups. The following groups of hospitals shall be recognized:

(i) ''Public hospitals,'' which shall include all eligible hospitals that, as of July 1, 1997, met the definition of a public hospital.

(ii) ''Nonpublic hospitals,'' which shall include all eligible hospitals that, as of July 1, 1997, met the definition of a nonpublic hospital.

(B) The amount determined to be the maximum amount of special supplemental payment adjustments under subparagraph (C) of paragraph (2) shall first be allocated between the two groups of hospitals referred to in subparagraph (A) as follows:

(i) ''Public hospitals'': 74.885 percent of the maximum amount.

(ii) ''Nonpublic hospitals'': 25.115 percent of the maximum amount.

(C) The amount of funds allocated pursuant to subparagraph (B) to each of the particular groups of hospitals referred to in subparagraphs (A) and (B) shall then be distributed as special supplemental payment adjustments among the eligible hospitals within each particular group as follows:

(i) The department shall compute the projected total payment adjustment amounts for all eligible hospitals for the 1997–98 payment adjustment year, exclusive of any payments under this subdivision, subdivision (ad), or subdivision (af), by determining for each eligible hospital its total per diem composite amount and multiplying that figure by the maximum number of the hospital's Medi-Cal inpatient paid days determined under paragraph (2) of subdivision (*l*). For purposes of this clause, the determinations shall be without regard to the OBRA 1993 payment limitations.

(ii) The amount computed under clause (i) for each hospital described in subparagraph (A) shall be compared to the amount that is the product of multiplying 0.95 times the OBRA 1993 payment limitation that, in accordance with applicable provisions of the Medi-Cal State Plan, the department has computed for the particular hospital for the 1997–98 payment adjustment year.

(iii) Where the amount computed under clause (i) for the particular hospital is equal to or exceeds the product computed for the hospital under clause (ii), the hospital shall not receive a special supplemental payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of clauses (v) through (viii).

(iv) Where the amount computed under clause (i) for the particular hospital is less than the product computed for the hospital under clause (ii), the amount computed under clause (i) for the hospital shall be used for purposes of clauses (v) through (viii).

(v) The figures determined under clause (iv) for each hospital in the particular group shall be added together to determine an aggregate total for each group.

(vi) The figures determined for each hospital under clause (iv) shall be divided by the aggregate total determined under clause (v) for the particular group, yielding a percentage figure for each hospital.

(vii) The percentage figure determined for each hospital under clause (vi) shall be applied to the maximum portion of the funds allocated to the particular group under subparagraph (B), to determine the hospital's pro rata share of the special supplemental lump-sum payment adjustments. Except, however, in the case of a nonpublic hospital that, as of July 1, 1997, meets the definition of a children's hospital, such pro rata share otherwise determined shall be multiplied by a factor of 1.09, yielding a modified pro rata share. The pro rata share for the other nonpublic hospitals shall be reduced accordingly, yielding a modified pro rata share, so that the maximum

portion of the funds allocated to the nonpublic hospitals group will not be exceeded. The pro rata share or modified pro rata share, as applicable, for each hospital, as computed under this clause, shall also be used for all purposes relating to descending pro rata distributions under clause (viii).

(viii) In no event shall a hospital receive special supplemental payment adjustment amounts in excess of the difference between the product computed for the hospital under clause (ii) and the amount computed for the hospital under clause (i). Any special supplemental payment adjustment amount, or portion thereof, that otherwise would have been payable under this paragraph to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals within the same group.

(D) The department shall make interim and final payments of the special supplemental payment adjustments to hospitals on or before February 28, 1998.

(4) The department shall implement this subdivision only if consistent with federal medicaid law and the Medi-Cal State Plan, and only if the department determines that federal financial participation is available.

(ac) Notwithstanding any other provision of law, the payment adjustment program with respect to the period October 1, 1997 through June 30, 1998, shall be structured as set forth below and in subdivisions (ad) and (af). However, if the effective date of the Medi-Cal State Plan amendment relating to this subdivision is later than October 1, 1997, as approved by the federal Health Care Financing Administration, all references in this subdivision to the period October 1, 1997, through June 30, 1998, shall be references to the period that commences on that effective date and continues through June 30, 1998.

(1) (A) The department shall utilize the computations made pursuant to clause (i) of subparagraph (C) of paragraph (3) of subdivision (ab) of the projected total payment adjustment amounts for all eligible hospitals for the entire 1997–98 payment adjustment year, exclusive of any supplemental payments under subdivision (ab), (ad), or (af).

(B) The computed amount referred to in subparagraph (A) for each hospital shall be compared to the OBRA 1993 payment limitation that, in accordance with applicable provisions of the Medi-Cal State Plan, the department has computed for the particular hospital.

(C) Where the computed amount referred to in subparagraph (A) for the particular hospital exceeds the OBRA 1993 payment limitation for the hospital, the amount computed under subparagraph (A) shall be reduced to an amount equal to the OBRA 1993 payment limitation for the particular hospital. The amount so reduced shall be used for purposes of subparagraph (E).

(D) Where the computed amount referred to in subparagraph (A) for the particular hospital is equal to or less than the OBRA 1993 payment limitation for the hospital, the computed amount referred to in subparagraph (A) shall be used for purposes of subparagraph (E).

(E) The amounts determined under subparagraphs (C) and (D) for all eligible hospitals shall be added together, yielding an aggregate sum. The aggregate sum shall be the unadjusted projected total payment adjustment program for the entire 1997–98 payment adjustment year, exclusive of any supplemental payments under subdivision (ab) or (ad).

(2) The initial maximum size of the payment adjustment program for the entire 1997–98 payment adjustment year shall be set at one billion seven hundred fifty million dollars ($1,750,000,000), exclusive of any supplemental payments under subdivision (ab) or (ad).

(3) The department shall increase or decrease the amount determined for each eligible hospital under subparagraph (C) or (D) of paragraph (1), as applicable, by multiplying the amount by an identical percentage, yielding the hospital's tentative adjusted projected total payment adjustment amount for the 1997–98 payment adjustment year. The identical percentage figure to be used for this purpose shall be that percentage that is derived by dividing the amount set forth in paragraph (2) by the aggregate sum determined under subparagraph (E) of paragraph (1). Except, however, the amount determined for a hospital under subparagraph (C) or (D) of paragraph (1) shall not be increased if it would exceed the OBRA 1993 payment limitation for the hospital.

(4) The tentative adjusted projected total payment adjustment amount computed for each eligible hospital under paragraph (3) shall be further adjusted as follows:

(A) (i) For each eligible hospital that met the definition of a nonpublic-converted hospital as of July 1, 1997, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''nonpublic-converted hospital adjustment factor.'' The applicable adjustment factor shall be that which is necessary to result in an amount, for each hospital, equal to the amount used for the particular hospital under subparagraph (E) of paragraph (1). The amount so adjusted shall be used for purposes of clause (iii).

(ii) The total amount of all per diem payment adjustment amounts under this section, whether paid or payable, applicable to the period July 1, 1997, through September 30, 1997, shall be determined for each hospital referred to in clause (i). The applicability of the per diem payment adjustment amounts to the period July 1, 1997, through September 30, 1997, shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal

Regulations. However, if the effective date of the Medi-Cal State Plan amendment relating to this subdivision is later than October 1, 1997, as approved by the federal Health Care Financing Administration, all determinations under this clause shall include per diem payment adjustment amounts applicable to the period July 1, 1997, through the date that is one day prior to that effective date.

(iii) The amount determined for each hospital under clause (i) shall be reduced by the amount determined under clause (ii) for the hospital. The resulting figure shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 1997, through June 30, 1998, which shall be paid to the hospital in accordance with paragraph (5).

(B) (i) For each eligible hospital that met the definition of a nonpublic hospital as of July 1, 1997, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''nonpublic hospital adjustment factor.'' The applicable adjustment factor shall be derived as follows:

(I) The tentative adjusted projected total payment adjustment amounts determined under paragraph (3) for each nonpublic hospital described above shall be added together.

(II) The amount identified in paragraph (2) shall be divided by 2.38. The resulting figure shall then be reduced by the sum of the amounts determined for all nonpublic-converted hospitals under clauses (ii) and (iii) of subparagraph (A).

(III) The amount computed under subclause (II) shall be divided by 2, and the result thereof further reduced by the amount of thirty-seven million five hundred thousand dollars ($37,500,000).

(IV) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (III) by the amount derived in subclause (I).

(ii) The total amount of all per diem payment adjustment amounts under this section, whether paid or payable, applicable to the period July 1, 1997, through September 30, 1997, shall be determined for each hospital referred to in clause (i). The applicability of the per diem payment adjustment amounts to the period July 1, 1997, through September 30, 1997, shall be determined in accordance with federal medicaid rules including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations. However, if the effective date of the Medi-Cal State Plan amendment relating to this subdivision is later than October 1, 1997, as approved by the federal Health Care Financing Administration, all determinations under this clause shall include per diem payment adjustment amounts applicable to the period July 1, 1997, through the date that is one day prior to that effective date.

(iii) The amount determined for each hospital under clause (i) shall be reduced by the amount determined under clause (ii) for the hospital. The resulting figure shall be the final adjusted projected

total payment adjustment amount for the hospital for the period October 1, 1997, through June 30, 1998, which shall be paid to the hospital in accordance with paragraph (5).

(C) (i) For each eligible hospital that met the definition of a public hospital as of July 1, 1997, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''public hospital adjustment factor.'' The applicable adjustment factor shall be derived as follows:

(I) The tentative adjusted projected total payment adjustment amounts determined under paragraph (3) for each public hospital described above shall be added together.

(II) The amount identified in paragraph (2) shall be reduced by the sum of the amounts determined for all nonpublic-converted hospitals under clauses (ii) and (iii) of subparagraph (A) and the sum of the amounts determined for all nonpublic hospitals under clauses (ii) and (iii) of subparagraph (B).

(III) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (II) by the amount derived in subclause (I).

(ii) The total amount of all per diem payment adjustment amounts under this section, whether paid or payable, applicable to the period July 1, 1997, through September 30, 1997, shall be determined for each hospital referred to in clause (i). The applicability of the per diem payment adjustment amounts to the period July 1, 1997, through September 30, 1997, shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations. However, if the effective date of the Medi-Cal State Plan amendment relating to this subdivision is later than October 1, 1997, as approved by the federal Health Care Financing Administration, all determinations under this clause shall include per diem payment adjustment amounts applicable to the period July 1, 1997, through the date that is one day prior to that effective date.

(iii) The amount determined for each hospital under clause (i) shall be reduced by the amount determined under clause (ii) for the hospital. The resulting figure shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 1997, through June 30, 1998, which shall be paid to the hospital in accordance with paragraph (5).

(5) The final adjusted projected total payment adjustment amount determined for each eligible hospital for the period October 1, 1997, through June 30, 1998, shall be distributed in 16 or fewer equal installments to be paid no later than the 10th and 25th day of each month during the period that commences on the effective date of the Medi-Cal State Plan amendment relating to this subdivision, as approved by the federal Health Care Financing Administration, and continues through May 25, 1998.

(6) Notwithstanding any other provision of law, for the entire 1997–98 payment adjustment year, no eligible hospital shall receive total payment adjustments, including per diem payment adjustments, payments under this subdivision, and any supplemental payments under subdivision (ab) or (ad), in excess of the hospital's OBRA 1993 payment limitation as computed by the department pursuant to the Medi-Cal State Plan. No hospital shall receive any special supplemental payment adjustments or supplemental lump-sum payment adjustments to the extent the payments would be inconsistent with subdivision (ab) or (ad), respectively.

(7) The aggregate sum of the final adjusted projected total payment adjustment amounts computed under paragraph (4) for each eligible hospital for the period October 1, 1997, through June 30, 1998, plus the aggregate sum of the amounts determined for each eligible hospital under clause (ii) of subparagraph (A) of paragraph (4), clause (ii) of subparagraph (B) of paragraph (4) and clause (ii) of subparagraph (C) of paragraph (4), shall be the maximum size of the payment adjustment program for the entire 1997–98 payment adjustment year, exclusive of the special supplemental payment adjustments provided for under subdivision (ab) and the supplemental lump-sum payment adjustments provided for under subdivision (ad).

(8) The department shall implement this subdivision only if consistent with federal medicaid law and the Medi-Cal State Plan, and only if the department determines that federal financial participation is available.

(ad) (1) For the 1997–98 payment adjustment year, eligible hospitals that meet the requirements of this subdivision and that remain in operation as of June 30, 1998, shall be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date, but only if the hospital has remained in operation for the period October 1, 1997, to June 30, 1998, inclusive.

(2) The amount of supplemental lump-sum payment adjustments available to hospitals under this subdivision shall be four hundred five million dollars ($405,000,000).

(3) (A) For purposes of these supplemental lump-sum payment adjustments, only hospitals that can be categorized into either of the two groups specified in clauses (i) and (ii) shall be eligible to receive the supplemental payment adjustments, and no hospital may qualify for more than one of the two groups. The following groups of hospitals shall be recognized:

(i) ''Public hospitals,'' which shall include all eligible hospitals that, as of July 1, 1997, met the definition of a public hospital.

(ii) ''Nonpublic hospitals,'' which shall include all eligible hospitals that, as of July 1, 1997, met the definition of a nonpublic hospital.

(B) The amount of supplemental lump-sum payment adjustments as referred to in paragraph (2) shall first be allocated between the two groups of hospitals referred to in subparagraph (A) as follows:

(i) ''Public hospitals'': 72.17 percent of the amount.

(ii) ''Nonpublic hospitals'': 27.83 percent of the amount.

(C) The amount of funds allocated pursuant to subparagraph (B) to each of the particular groups of hospitals referred to in subparagraphs (A) and (B) shall then be distributed as supplemental lump-sum payment adjustments among the eligible hospitals within each particular group as follows:

(i) The department shall identify for each eligible hospital the total amount of payment adjustments under this section (exclusive of any payments under this subdivision and subdivision (af)) applicable to the 1997–98 payment adjustment year, whether paid or payable. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(ii) The amount identified for each hospital under clause (i) shall be compared to the OBRA 1993 payment limitation that, in accordance with applicable provisions of the Medi-Cal State Plan, the department has computed for the particular hospital for the 1997–98 payment adjustment year.

(iii) Where the amount computed under clause (i) for the particular hospital is equal to or exceeds the OBRA 1993 payment limitation for the hospital, the hospital shall not receive a supplemental lump-sum payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of clauses (v) through (viii).

(iv) Where the amount computed under clause (i) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount computed under clause (i) minus that amount paid or payable to the hospital under subdivision (ab) shall be used for purposes of clauses (v) through (viii).

(v) The figures determined under clause (iv) for each hospital in the particular group shall be added together to determine an aggregate total for each group.

(vi) The figures determined for each hospital under clause (iv) shall be divided by the aggregate total determined under clause (v) for the particular group, yielding a percentage figure for each hospital.

(vii) The percentage figure determined for each hospital under clause (vi) shall be applied to the maximum portion of the funds allocated to the particular group under subparagraph (B), to determine the hospital's pro rata share of the supplemental lump-sum payment adjustments. Except, however, in the case of a nonpublic hospital that, as of July 1, 1997, meets the definition of a

children's hospital, the pro rata share otherwise determined shall be multiplied by a factor of 1.09, yielding a modified pro rata share. The pro rata share for the other nonpublic hospitals shall be reduced accordingly, yielding a modified pro rata share, so that the maximum portion of the funds allocated to the nonpublic hospitals group will not be exceeded. The pro rata share or modified pro rata share, as applicable, for each hospital, as computed under this clause, shall also be used for all purposes relating to descending pro rata distributions under clause (viii).

(viii) In no event shall a hospital receive supplemental lump-sum payment adjustment amounts in excess of the difference between the OBRA 1993 payment limitation for the hospital and the amount computed for the hospital under clause (i). Any supplemental lump-sum payment adjustment amount, or portion thereof, that otherwise would have been payable under this paragraph to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals within the same group.

(D) The department shall make interim and final payments of the supplemental lump-sum payment adjustments to hospitals on or before August 15, 1998.

(4) The department shall implement this subdivision only if consistent with federal medicaid law and the Medi-Cal State Plan, and only if the department determines that federal financial participation is available.

(5) Notwithstanding any other provision of law, the payment adjustments, data, and related aspects of subdivision (af) shall not be taken into account for any purpose under this subdivision, subdivision (ab), or subdivision (ac).

(ae) (1) In the event that any provision of subdivision (ab), (ac), or (ad), as reflected in a proposed Medi-Cal State Plan amendment, is not approved by the federal Health Care Financing Administration, the director shall modify the proposed Medi-Cal State Plan amendment in a manner intended to be consistent with all applicable federal requirements. Subject to the requirements of federal law, in developing the modified proposed Medi-Cal State Plan amendment, the director shall, to the extent practicable, incorporate, implement, and modify, as necessary, the payment methodologies applicable to the 1997–98 payment adjustment year in a manner that is as consistent as possible with the approach and intent of subdivisions (ab), (ac), and (ad), respectively.

(2) In the event that any provision of subdivision (af), (ag), (ah), (ai), or (aj), as reflected in a proposed Medi-Cal State Plan amendment, is not approved by the federal Health Care Financing Administration, the director shall modify that proposed Medi-Cal State Plan amendment in a manner intended to be consistent with all applicable federal requirements. Subject to the requirements of federal law, in developing the modified proposed Medi-Cal State

Plan amendment, the director shall, to the extent practicable, incorporate, implement, and modify, as necessary, the payment methodologies applicable to the 1997–98, 1998–99, and 1999–2000 payment adjustment years in a manner that is as consistent as possible with the approach and intent of subdivisions (af), (ag), (ah), (ai), and (aj), respectively.

(3) In the event that any provision of subdivision (ak), (a*l*), (am), or (an), as reflected in a proposed Medi-Cal State Plan amendment, is not approved by the federal Health Care Financing Administration, the director shall modify that proposed Medi-Cal State Plan amendment in a manner intended to be consistent with all applicable federal requirements. Subject to the requirements of federal law, in developing the modified proposed Medi-Cal State Plan amendment, the director shall, to the extent practicable, and after consulting with representatives of the hospital industry, including, but not limited to, the California Healthcare Association, incorporate, implement, and modify, as necessary, the payment methodologies applicable to the 2000–01 payment adjustment year and subsequent payment adjustment years in a manner that is as consistent as possible with the approach and intent of subdivisions (ak), (a*l*), (am), and (an), respectively.

(af) (1) The provisions of this subdivision shall apply for the 1997–98 payment adjustment year, and, for all purposes under the program, shall be implemented subsequent to the provisions of subdivisions (ab), (ac), and (ad). Under this subdivision, eligible hospitals that, as of October 1, 1997, were part of a county-operated health system of three or more eligible hospitals licensed to the county, and that are in operation as of June 30, 1998, shall be eligible to receive an additional supplemental lump-sum payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date, but only if the hospital has remained in operation for the period October 1, 1997, through June 30, 1998.

(2) The maximum amount of additional supplemental lump-sum payment adjustments under this subdivision shall be one hundred sixty-six million dollars ($166,000,000).

(3) The maximum amount of funds specified under paragraph (2) shall be distributed as additional supplemental lump-sum payment adjustments among the hospitals eligible under this subdivision as follows:

(A) The department shall identify for each eligible hospital the total amount of payment adjustments under this section (exclusive of any payments under this subdivision) applicable to the 1997–98 payment adjustment year, whether paid or payable. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules, including

Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(B) The amount identified for each hospital under subparagraph (A) shall be compared to the OBRA 1993 payment limitation that, in accordance with applicable provisions of the Medi-Cal State Plan, the department has computed for the particular hospital for the 1997–98 payment adjustment year.

(C) Where the amount computed under subparagraph (A) for the particular hospital is equal to or exceeds the OBRA 1993 payment limitation for the hospital, the hospital shall not receive an additional supplemental lump-sum payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of subparagraphs (E) through (H).

(D) Where the amount computed under subparagraph (A) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount computed under subparagraph (A) shall be used for purposes of subparagraphs (E) through (H).

(E) The figures determined under subparagraph (D) for each hospital eligible to receive additional supplemental lump-sum payment adjustments under this subdivision shall be added together to determine an aggregate total.

(F) The figures determined for each hospital under subparagraph (D) shall be divided by the aggregate total determined under subparagraph (E), yielding a percentage figure for each hospital.

(G) The percentage figure determined for each hospital under subparagraph (F) shall be applied to the maximum amount specified in paragraph (2), to determine the hospital's pro rata share of the additional supplemental lump-sum payment adjustments.

(H) In no event shall a hospital receive additional supplemental lump-sum payment adjustment amounts in excess of the difference between the OBRA 1993 payment limitation for the hospital and the amount computed for the hospital under subparagraph (A). Any additional supplemental lump-sum payment adjustment amount, or portion thereof, that otherwise would have been payable under this paragraph to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals eligible for distributions under this subdivision that have not reached their OBRA 1993 payment limitation.

(4) The department shall make interim and final payments of the additional supplemental lump-sum payment adjustments to hospitals on or before August 15, 1998.

(5) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available.

(ag) Notwithstanding any other provision of law, the payment adjustment program for the 1998–99 payment adjustment year shall be structured as set forth below and in subdivision (ah).

(1) (A) The department shall compute the projected total payment adjustment amounts for all eligible hospitals for the 1998–99 payment adjustment year by determining for each eligible hospital its total per diem composite amount and multiplying that figure by the maximum number of the hospital's Medi-Cal inpatient paid days determined under paragraph (2) of subdivision (*l*). For purposes of this subparagraph, these determinations shall be without regard to the OBRA 1993 payment limitations. With respect to a public hospital that, as of July 1, 1998, is part of a county-operated health system of three or more eligible hospitals licensed to the county, the projected total payment adjustment amount shall be reduced by an amount equal to the amount paid or payable to the hospital under subdivision (af).

(B) The computed amount referred to in subparagraph (A) for each hospital shall be compared to the OBRA 1993 payment limitation that, in accordance with applicable provisions of the Medi-Cal State Plan, the department has computed for the particular hospital.

(C) Where the computed amount referred to in subparagraph (A) for the particular hospital exceeds the OBRA 1993 payment limitation for the hospital, the amount computed under subparagraph (A) shall be reduced to an amount equal to the OBRA 1993 payment limitation for the particular hospital. The amount so reduced shall be used for purposes of subparagraph (E). Except, however, with respect to a public hospital that, as of July 1, 1998, is part of a county-operated health system of three or more eligible hospitals licensed to the county, the amount as so reduced shall be increased by an amount equal to the amount paid or payable to the hospital under subdivision (af), and used for purposes of subparagraph (E).

(D) Where the computed amount referred to in subparagraph (A) for the particular hospital is equal to or less than the OBRA 1993 payment limitation for the hospital, the computed amount referred to in subparagraph (A) shall be used for purposes of subparagraph (E). Except, however, with respect to a public hospital that, as of July 1, 1998, is part of a county-operated health system of three or more eligible hospitals licensed to the county, the computed amount shall be increased by an amount equal to the amount paid or payable to the hospital under subdivision (af), and used for purposes of subparagraph (E).

(E) The amounts determined under subparagraphs (C) and (D) for all eligible hospitals shall be added together, yielding an aggregate sum. The aggregate sum shall be the unadjusted projected total payment adjustment program for the 1998–99 payment adjustment

year, exclusive of any supplemental payment adjustments under subdivision (ah).

(2) The initial maximum size of the payment adjustment program for the 1998–99 payment adjustment program shall be set at one billion seven hundred fifty million dollars ($1,750,000,000), exclusive of any supplemental payment adjustments under subdivision (ah).

(3) (A) The department shall increase or decrease the amount determined for each eligible hospital under subparagraph (C) or (D) of paragraph (1), as applicable, by multiplying the amount by an identical percentage, yielding the hospital's tentative adjusted projected total payment adjustment amount for the 1998–99 payment adjustment year. The identical percentage figure to be used for this purpose shall be that percentage that is derived by dividing the amount set forth in paragraph (2) by the aggregate sum determined under subparagraph (E) of paragraph (1). Except, however, the amount determined for a hospital under subparagraph (C) or (D) of paragraph (1), as applicable, shall not be increased so that it would exceed the OBRA 1993 payment limitation for the hospital, and, where that would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis so that the aggregate sum of the tentative adjusted projected total payment adjustment amounts for all hospitals equals the amount set forth in paragraph (2).

(B) (i) With respect to a public hospital that, as of July 1, 1998, is part of a county-operated health system of three or more eligible hospitals licensed to the county, the amount determined under subparagraph (C) or (D) of paragraph (1), as applicable, shall be reduced by an amount equal to the amount paid or payable to the hospital under subdivision (af), prior to applying the OBRA 1993 payment limitation under subparagraph (A).

(ii) Notwithstanding clause (i), all other computations under subparagraph (A), including the determination of the hospital's pro rata share of any reallocations, shall be made as though the reduction described in clause (i) had not occurred.

(4) The tentative adjusted projected total payment adjustment amount computed for each eligible hospital under paragraph (3) shall be further adjusted as follows:

(A) (i) For each eligible hospital that meets the definition of a nonpublic-converted hospital as of July 1, 1998, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''nonpublic-converted hospital adjustment factor.'' The applicable adjustment factor shall be that which is necessary to result for each such hospital in an amount equal to the amount used for the particular hospital under subparagraph (E) of paragraph (1).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the 1998–99 payment adjustment year, which shall be paid to the hospital in accordance with paragraph (5).

(B) (i) For each eligible hospital that meets the definition of a converted hospital as of July 1, 1998, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''converted hospital adjustment factor.'' The applicable adjustment factor shall be that which is necessary to result for each such hospital in an amount equal to: (I) the maximum number of the hospital's annualized Medi-Cal inpatient paid days determined under paragraph (2) of subdivision (*l*); multiplied by (II) the total per diem composite amount determined for the hospital, the calculation of the per diem composite amount being restricted by a maximum low-income number of 40 percent for the hospital, regardless if the hospital's low-income number would otherwise be higher. In no case shall the product of this calculation exceed the amount used for the particular hospital under subparagraph (E) of paragraph (1).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the 1998–99 payment adjustment year, which shall be paid to the hospital in accordance with paragraph (5).

(C) (i) For each eligible hospital that meets the definition of a nonpublic hospital as of July 1, 1998, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''nonpublic hospital adjustment factor.'' The applicable adjustment factor shall be derived as follows:

(I) The tentative adjusted projected total payment adjustment amounts determined under paragraph (3) for each nonpublic hospital described above shall be added together.

(II) The amount identified in paragraph (2) shall be divided by 2.347. The resulting figure shall then be reduced by the sum of the amounts determined for all nonpublic-converted hospitals under clause (ii) of subparagraph (A) and the amounts determined for all converted hospitals under clause (ii) of subparagraph (B).

(III) The amount computed under subclause (II) shall be divided by 2, and the result thereof further reduced by the amount of thirty-seven million five hundred thousand dollars ($37,500,000).

(IV) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (III) by the amount derived in subclause (I).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the 1998–99 payment adjustment year, which shall be paid to the hospital in accordance with paragraph (5). Except, however, in no case shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation, and, where that would

otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other nonpublic hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis so that the aggregate sum of the final adjusted projected total payment adjustment amounts for all nonpublic hospitals equals the amount derived in subclause (III) of clause (i).

(D) (i) For each eligible hospital that meets the definition of a public hospital as of July 1, 1998, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''public hospital adjustment factor.'' The applicable adjustment factor shall be derived as follows:

(I) The tentative adjusted projected total payment adjustment amounts determined under paragraph (3) for each public hospital described above shall be added together.

(II) The amount identified in paragraph (2) shall be reduced by the sum of the amounts determined for all nonpublic-converted hospitals under clause (ii) of subparagraph (A), the amounts determined for all converted hospitals under clause (ii) of subparagraph (B) and the amounts determined for all nonpublic hospitals under clause (ii) of subparagraph (C).

(III) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (II) by the amount derived in subclause (I).

(ii) The product determined for each hospital under clause (i) shall be further adjusted as follows:

(I) The product shall be reduced as necessary so as not to exceed the hospital's OBRA 1993 payment limitation.

(II) With respect to a public hospital that, as of July 1, 1998, is part of a county-operated health system of three or more eligible hospitals licensed to the county, the product shall, prior to the application of subclause (I), be reduced by an amount equal to the amount paid or payable to the hospital under subdivision (af).

(III) Any amounts that would otherwise have been allocated to a hospital but for the hospital's OBRA 1993 payment limitation as applied under subclause (I) shall be reallocated to all other public hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis. With respect to a public hospital described in subclause (II), the hospital's pro rata share of any reallocated amounts shall be based on the product derived for the hospital under clause (i).

(IV) The amount determined for each hospital pursuant to subclause (I) and subclause (II), as applicable (including the reduction under subclause (II)), plus any reallocations to the hospital under subclause (III), shall be the final adjusted projected total payment adjustment amount for the hospital for the 1998–99

payment adjustment year, which shall be paid to the hospital in accordance with paragraph (5).

(5) The final adjusted projected total payment adjustment amount determined for each eligible hospital for the 1998–99 payment adjustment year shall be distributed as set forth below.

(A) With respect to the period July 1, 1998, through September 30, 1998, payment adjustment amounts shall be payable only to those eligible hospitals that, as of July 1, 1998, were not part of a county-operated health system of three or more eligible hospitals licensed to the county.

(i) The maximum amount of payment adjustments payable to eligible hospitals under this paragraph for the period of July 1, 1998, through September 30, 1998, shall be determined as follows:

(I) The maximum state disproportionate share hospitals allotment for California under the provisions of applicable federal medicaid rules shall be identified for the 1998 federal fiscal year. This maximum allotment is two billion one hundred seventeen million eight hundred ninety-nine thousand six hundred sixty-eight dollars ($2,117,899,668).

(II) The total amount of all payment adjustments under this section (exclusive of any payments under this subparagraph) applicable to the 1998 federal fiscal year, whether paid or payable, shall be determined. The applicability of payment adjustment amounts to the 1998 federal fiscal year shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(III) The figure determined under subclause (II) shall be subtracted from the figure identified under subclause (I). The positive remainder shall be the maximum amount of payment adjustments payable with respect to the period July 1, 1998, through September 30, 1998, under this subparagraph.

(ii) With respect to an eligible hospital that, as of July 1, 1998, meets the definition of a nonpublic-converted hospital, the maximum amount payable for the period July 1, 1998, through September 30, 1998, shall be equal to the product of the final adjusted projected total payment adjustment amount determined for the hospital pursuant to paragraph (4), multiplied by a fraction that is computed as follows:

(I) The maximum amount derived in subclause (III) of clause (i) shall be increased by an amount equal to the total amount of payment adjustments paid or payable under subdivision (af).

(II) The figure derived in subclause (I) shall be divided by the amount specified in paragraph (2).

(iii) With respect to an eligible hospital that, as of July 1, 1998, meets the definition of a converted hospital, the maximum amount payable for the period July 1, 1998, through September 30, 1998, shall be equal to the product of the final adjusted projected total payment

adjustment amount determined for the hospital pursuant to paragraph (4), multiplied by a fraction that is computed as follows:

(I) The maximum amount derived in subclause (III) of clause (i) shall be increased by an amount equal to the total amount of payment adjustments paid or payable under subdivision (af).

(II) The figure derived in subclause (I) shall be divided by the amount specified in paragraph (2).

(iv) With respect to an eligible hospital that, as of July 1, 1998, meets the definition of a nonpublic hospital, the maximum amount payable for the period July 1, 1998, through September 30, 1998, shall be equal to the product of the final adjusted projected total payment adjustment amount determined for the hospital pursuant to paragraph (4), multiplied by a fraction that is computed as follows:

(I) The maximum amount derived in subclause (III) of clause (i) shall be increased by an amount equal to the total amount of payment adjustments paid or payable under subdivision (af).

(II) The figure derived in subclause (I) shall be divided by the amount specified in paragraph (2).

(v) With respect to an eligible hospital that, as of July 1, 1998, meets the definition of a public hospital, the maximum amount payable for the period July 1, 1998, through September 30, 1998, shall be equal to the product of the final adjusted projected total payment adjustment amount determined for the hospital pursuant to paragraph (4), multiplied by a fraction that is computed as follows:

(I) The maximum amount derived in subclause (III) of clause (i) shall be reduced by the sum of the amounts determined for all nonpublic-converted hospitals under clause (ii), the amounts determined for all converted hospitals under clause (iii) and the amounts determined for all nonpublic hospitals under clause (iv).

(II) The amounts computed under paragraph (4) with respect to all public hospitals that are subject to this subparagraph (A) shall be added together, yielding an aggregate sum.

(III) The figure derived in subclause (I) shall be divided by the aggregate sum derived in subclause (II).

(vi) The resulting product determined for each hospital pursuant to clauses (ii) through (v), as applicable, shall be distributed to the hospital in three equal installments, each payable as of the last day of each month from July 1998 through September 1998. However, no hospital shall receive an installment for any month in which the hospital does not remain in operation for the entire month. To the extent that any hospital is not entitled to receive an installment that otherwise would be payable but for the hospital's failure to remain in operation through the last day of a particular month, the amount that would have been paid to the hospital shall be redistributed among those hospitals within the same hospital group (as those groups are described in clauses (ii) through (v)) that remain in operation from July 1, 1998, through September 30, 1998, to be

distributed on a pro rata basis. The redistributed amounts shall be payable as of September 30, 1998.

(B) (i) With respect to the period October 1, 1998, through June 30, 1999, payment adjustment amounts shall be payable to each eligible hospital in the amount equal to the final adjusted projected total payment adjustment amount determined for the hospital pursuant to paragraph (4), less any payment adjustments paid or payable to the hospital, or payment adjustments that would have been payable but for the hospital's failure to remain in operation for a particular month, under subparagraph (A). The payment adjustments shall be distributed in eight equal amounts, each payable as of the last day of each month from October 1998 through May 1999. However, no hospital shall receive an installment for any month in which the hospital does not remain in operation for the entire month.

(ii) To the extent that any hospital of either of the hospital types described in clause (iv) or (v) of subparagraph (A) is not entitled to receive an installment that otherwise would be payable but for the hospital's failure to remain in operation through the last day of a particular month, the amount that would have been paid to the hospital shall be redistributed among those hospitals of the same hospital type that remain in operation from October 1, 1998, through June 30, 1999, to be distributed on a pro rata basis. The redistributed amounts shall be payable as of June 30, 1999.

(iii) With respect to a public hospital that, as of July 1, 1998, is part of a county-operated health system of three or more eligible hospitals licensed to the county, the hospital's pro rata share of any reallocations under clause (ii) shall be based on the final adjusted projected total payment adjustment amount determined for the hospital pursuant to paragraph (4), as increased by an amount equal to the amount paid or payable to the hospital under subdivision (af).

(6) Notwithstanding any other provision of law, for the 1998–99 payment adjustment year, no eligible hospital shall receive total payment adjustments in excess of the hospital's OBRA 1993 payment limitation as computed by the department pursuant to the Medi-Cal State Plan.

(7) The aggregate sum of the final adjusted projected total payment adjustment amounts computed under paragraph (4) for each eligible hospital shall be the maximum size of the payment adjustment program for the 1998–99 payment adjustment year, exclusive of the supplemental payment adjustments provided for under subdivision (ah).

(8) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available.

(ah) (1) For the 1998–99 payment adjustment year, eligible hospitals that meet the requirements of this subdivision and that are

in operation as of June 30, 1999, shall be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date, but only if the hospital has remained in operation for the period October 1, 1998, through June 30, 1999.

(2) The availability of supplemental lump-sum payment adjustments under this subdivision shall be determined as follows:

(A) The maximum state disproportionate share hospital allotment for California under the provisions of applicable federal medicaid rules shall be identified for the 1999 federal fiscal year. It is estimated that this amount will be two billion seventy-one million seven hundred seventy-four thousand nine hundred seventy-six dollars ($2,071,774,976).

(B) The total amount of all payment adjustment amounts under this section (exclusive of any payments under this subdivision) applicable to the 1999 federal fiscal year, whether paid or payable, shall be determined. The applicability of payment adjustment amounts to the 1999 federal fiscal year shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(C) The figure determined under subparagraph (B) shall be subtracted from the figure identified under subparagraph (A). If the remainder is a positive figure, supplemental lump-sum payment adjustments shall be made under this subdivision in accordance with paragraph (3). The positive remainder shall be the maximum amount of supplemental lump-sum payment adjustments under this subdivision.

(3) (A) For purposes of supplemental lump-sum payment adjustments under this subdivision, only hospitals that can be categorized into either of the two groups specified in clauses (i) and (ii) below shall be eligible to receive the supplemental payment adjustments, and no hospital may qualify for more than one of the two groups. The following groups of hospitals shall be recognized:

(i) ''Public hospitals,'' which shall include all eligible hospitals that, as of July 1, 1998, met the definition of a public hospital.

(ii) ''Nonpublic hospitals,'' which shall include all eligible hospitals that, as of July 1, 1998, met the definition of a nonpublic hospital.

(B) The amount determined to be the maximum amount of supplemental lump-sum payment adjustments under subparagraph (C) of paragraph (2) shall first be allocated between the two groups of hospitals referred to in subparagraph (A) as follows:

(i) ''Public hospitals'': 72.78 percent of the maximum amount.

(ii) ''Nonpublic hospitals'': 27.22 percent of the maximum amount.

(C) The amount of funds allocated pursuant to subparagraph (B) to each of the particular groups of hospitals referred to in

subparagraphs (A) and (B) shall then be distributed as supplemental lump-sum payment adjustments among the eligible hospitals within each particular group as follows:

(i) The department shall identify for each eligible hospital the total amount of payment adjustments under this section (exclusive of any payments under this subdivision) applicable to the 1998–99 payment adjustment year, whether paid or payable. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(ii) The amount identified for each hospital under clause (i) shall be compared to the OBRA 1993 payment limitation that, in accordance with applicable provisions of the Medi-Cal State Plan, the department has computed for the particular hospital for the 1998–99 payment adjustment year.

(iii) Where the amount computed under clause (i) for the particular hospital is equal to or exceeds the OBRA 1993 payment limitation for the hospital, the hospital shall not receive a supplemental lump-sum payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of clauses (v) through (viii).

(iv) Where the amount computed under clause (i) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount computed under clause (i) shall be used for purposes of clauses (v) through (viii). Except, however, with respect to a public hospital that, as of July 1, 1998, was part of a county-operated health system of three or more eligible hospitals licensed to the county, the amount computed under clause (i) plus the amounts paid or payable to the hospital pursuant to subdivision (af) shall be used for purposes of clauses (v) through (vii), while the amount computed under clause (i) only shall be used for purposes of applying the limitation described in clause (viii).

(v) The figures determined under clause (iv) for each hospital in the particular group shall be added together to determine an aggregate total for each group.

(vi) The figures determined for each hospital under clause (iv) shall be divided by the aggregate total determined under clause (v) for the particular group, yielding a percentage figure for each hospital.

(vii) The percentage figure determined for each hospital under clause (vi) shall be applied to the maximum portion of the funds allocated to the particular group under subparagraph (B), to determine the hospital’s pro rata share of the supplemental lump-sum payment adjustments. Except, however, in the case of a nonpublic hospital that, as of July 1, 1998, met the definition of a children’s hospital, the pro rata share otherwise determined shall be

multiplied by a factor of 1.09, yielding a modified pro rata share. The pro rata share for the other nonpublic hospitals shall be reduced accordingly, yielding a modified pro rata share, so that the maximum portion of the funds allocated to the nonpublic hospitals group will not be exceeded. The pro rata share or modified pro rata share, as applicable, for each hospital, as computed under this clause, shall also be used for all purposes relating to descending pro rata distributions under clause (viii).

(viii) In no event shall a hospital receive supplemental lump-sum payment adjustment amounts in excess of the difference between the OBRA 1993 payment limitation for the hospital and the amount computed for the hospital under clause (i). Any supplemental lump-sum payment adjustment amount, or portion thereof, that otherwise would have been payable under this paragraph to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals within the same group.

(D) The department shall make interim and final payments of the supplemental lump-sum payment adjustments to hospitals on or before August 15, 1999.

(4) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available.

(ai) Notwithstanding any other provision of law, no payment adjustment amounts shall be payable in connection with the period of July 1 through September 30 of the 1999–2000 payment adjustment year. The payment adjustment program with respect to the period October 1, 1999, through June 30, 2000, shall be structured as set forth below and in subdivision (aj).

(1) (A) The department shall compute the projected total payment adjustment amounts for all eligible hospitals for the 1999–2000 payment adjustment year, by determining for each eligible hospital its total per diem composite amount and multiplying that figure by the maximum number of the hospital's Medi-Cal inpatient paid days determined under paragraph (2) of subdivision (*l*). For purposes of this subparagraph, these determinations shall be without regard to the OBRA 1993 payment limitations.

(B) The computed amount referred to in subparagraph (A) for each hospital shall be compared to the OBRA 1993 payment limitation that, in accordance with applicable provisions of the Medi-Cal State Plan, the department has computed for the particular hospital.

(C) Where the computed amount referred to in subparagraph (A) for the particular hospital exceeds the OBRA 1993 payment limitation for the hospital, the amount computed under subparagraph (A) shall be reduced to an amount equal to the OBRA

1993 payment limitation for the particular hospital. The amount so reduced shall be used for purposes of subparagraph (E).

(D) Where the computed amount referred to in subparagraph (A) for the particular hospital is equal to or less than the OBRA 1993 payment limitation for the hospital, the computed amount referred to in subparagraph (A) shall be used for purposes of subparagraph (E).

(E) The amounts determined under subparagraphs (C) and (D) for all eligible hospitals shall be added together, yielding an aggregate sum. The aggregate sum shall be the unadjusted projected total payment adjustment program for the period of October 1, 1999, through June 30, 2000, exclusive of any supplemental payment adjustments under subdivision (aj).

(2) The initial maximum size of the payment adjustment program for the period October 1, 1999, through June 30, 2000, shall be set at one billion seven hundred fifty million dollars ($1,750,000,000), exclusive of any supplemental payment adjustments under subdivision (aj).

(3) The department shall increase or decrease the amount determined for each eligible hospital under subparagraph (C) or (D) of paragraph (1), as applicable, by multiplying the amount by an identical percentage, yielding the hospital's tentative adjusted projected total payment adjustment amount for the period October 1, 1999, through June 30, 2000. The identical percentage figure to be used for this purpose shall be that percentage that is derived by dividing the amount set forth in paragraph (2) by the aggregate sum determined under subparagraph (E) of paragraph (1). Except, however, the amount determined for a hospital under subparagraphs (C) or (D) of paragraph (1) shall not be increased so that it would exceed the OBRA 1993 payment limitation for the hospital, and, where that would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis so that the aggregate sum of the tentative adjusted projected total payment adjustment amount for all hospitals equals the amount set forth in paragraph (2).

(4) The tentative adjusted projected total payment adjustment amount computed for each eligible hospital under paragraph (3) shall be further adjusted as follows:

(A) (i) For each eligible hospital that meets the definition of a nonpublic-converted hospital as of July 1, 1999, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''nonpublic-converted hospital adjustment factor.'' The applicable adjustment factor shall be that which is necessary to result in an amount for each such hospital equal to the amount used for the particular hospital under subparagraph (E) of paragraph (1).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 1999, through June 30, 2000, which shall be paid to the hospital in accordance with paragraph (5).

(B) (i) For each eligible hospital that meets the definition of a converted hospital as of July 1, 1999, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''converted hospital adjustment factor.'' The applicable adjustment factor shall be that which is necessary to result for each such hospital in an amount equal to: (I) the maximum number of the hospital's annualized Medi-Cal inpatient paid days determined under paragraph (2) of subdivision (*l*); multiplied by (II) the total per diem composite amount determined for the hospital, the calculation of the per diem composite amount being restricted by a maximum low-income number of 40 percent for the hospital, regardless if the hospital's low-income number would otherwise be higher. In no case shall the product of this calculation exceed the amount used for the particular hospital under subparagraph (E) of paragraph (1).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 1999, through June 30, 2000, which shall be paid to the hospital in accordance with paragraph (5).

(C) (i) For each eligible hospital that meets the definition of a nonpublic hospital as of July 1, 1999, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''nonpublic hospital adjustment factor.'' The applicable adjustment factor shall be derived as follows:

(I) The tentative adjusted projected total payment adjustment amounts determined under paragraph (3) for each nonpublic hospital shall be added together.

(II) The amount identified in paragraph (2) shall be divided by 2.130. The resulting figure shall then be reduced by the sums of the amounts determined for all nonpublic-converted hospitals under clause (ii) of subparagraph (A) and all converted hospitals under clause (ii) of subparagraph (B).

(III) The amount computed under subclause (II) shall be divided by 2, and the result thereof further reduced by the amount of thirty-seven million five hundred thousand dollars ($37,500,000).

(IV) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (III) by the amount derived in subclause (I).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 1999, through June 30, 2000, which shall be paid to the hospital in accordance with paragraph (5). Except, however, in no case shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation, and,

where that would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other nonpublic hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis so that the aggregate sum of the final adjusted projected total payment adjustment amounts for all nonpublic hospitals equals the amount derived in subclause (III) of clause (i).

(D) (i) For each eligible hospital that meets the definition of a public hospital as of July 1, 1999, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''public hospital adjustment factor.'' The applicable adjustment factor shall be derived as follows:

(I) The tentative adjusted projected total payment adjustment amounts determined under paragraph (3) for each public hospital described above shall be added together.

(II) The amount identified in paragraph (2) shall be reduced by the sums of the amounts determined for all nonpublic-converted hospitals under clause (ii) of subparagraph (A) and all converted hospitals under clause (ii) of subparagraph (B), and the sum of the amounts determined for all nonpublic hospitals under clause (ii) of subparagraph (C).

(III) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (II) by the amount derived in subclause (I).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 1999, through June 30, 2000, which shall be paid to the hospital in accordance with paragraph (5). Except, however, in no case shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation, and, where that would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other public hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis so that the aggregate sum of the final adjusted projected total payment adjustment amounts for all public hospitals equals the amount derived in subclause (II) of clause (i).

(5) (A) The final adjusted projected total payment adjustment amount determined for each eligible hospital for the period October 1, 1999, through June 30, 2000, shall be distributed to the hospital in 8 equal installments, each payable as of the last day of each month from October 1999 through May 2000. However, no hospital shall receive an installment for any month in which the hospital does not remain in operation for the entire month.

(B) To the extent that any hospital of either of the hospital types described in subparagraph (C) or (D) of paragraph (4) is not entitled to receive an installment that otherwise would be payable

but for the hospital's failure to remain in operation through the last day of a particular month, the amount that would have been paid to the hospital shall be redistributed among those hospitals of the same hospital type that remain in operation from October 1, 1999, through June 30, 2000, to be distributed on a pro rata basis. The redistributed amounts shall be payable as of June 30, 2000.

(6) Notwithstanding any other provision of law, with respect to a hospital that meets the definition of a public hospital as of July 1, 1999, the provisions of paragraphs (1) through (5) shall initially be implemented for the period October 1, 1999, through December 31, 1999, without application of the OBRA 1993 payment limitations. As of January 1, 2000, the department shall recalculate all determinations under paragraphs (1) through (5) for the payment adjustment year, taking into account the hospital's OBRA 1993 payment limitation as determined pursuant to federal medicaid law in existence as of January 1, 2000, and adjust, as necessary, the monthly payment installments from January 2000 through May 2000 to take into account any modifications to the recalculated amounts payable for the period October 1999 through December 1999 as may arise from the application of this paragraph.

(7) Notwithstanding any other provision of law, for the entire 1999–2000 payment adjustment year, no eligible hospital shall receive total payment adjustments in excess of the hospital's OBRA 1993 payment limitation as computed by the department pursuant to the Medi-Cal State Plan.

(8) The aggregate sum of the final adjusted projected total payment adjustment amounts computed under paragraph (4) for each eligible hospital for the period October 1, 1999, through June 30, 2000, shall be the maximum size of the payment adjustment program for the entire 1999–2000 payment adjustment year, exclusive of the supplemental payment adjustments provided for under subdivision (aj).

(9) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available.

(aj) (1) For the 1999–2000 payment adjustment year, eligible hospitals that meet the requirements of this subdivision and that are in operation as of June 30, 2000, shall be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date, but only if the hospital has remained in operation for the period October 1, 1999, through June 30, 2000.

(2) The availability of supplemental lump-sum payment adjustments under this subdivision shall be determined as follows:

(A) The maximum state disproportionate share hospital allotment for California under the provisions of applicable federal medicaid rules shall be identified for the 2000 federal fiscal year.

(B) The total amount of all payment adjustment amounts under this section (exclusive of any payments under this subdivision) applicable to the 2000 federal fiscal year, whether paid or payable, shall be determined. The applicability of payment adjustment amounts to the 2000 federal fiscal year shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(C) (i) The figure determined under subparagraph (B) shall be subtracted from the figure identified under subparagraph (A). If the remainder is a positive figure, supplemental lump-sum payment adjustments shall be made under this subdivision in accordance with this subparagraph and paragraph (3).

(ii) The positive remainder derived under clause (i) shall be the maximum amount of supplemental lump-sum payment adjustments under this subdivision where: (I) effective for at least the 1999–2000 payment adjustment year, federal legislation is enacted regarding the application of the OBRA 1993 payment limitation with provisions substantially similar in effect to Section 4721(e) of the federal Balanced Budget Act of 1997 (P.L. 105-33) as that related to the 1997–98 and 1998–99 payment adjustment years; and (II) all necessary amendments to the Medi-Cal State Plan implementing that federal legislation as it relates to the 1999–2000 payment adjustment year have been approved by the federal Health Care Financing Administration.

(iii) If any element set forth in clause (ii) is not satisfied, the maximum amount of supplemental lump-sum payment adjustments under this subdivision shall be the lesser of: (I) the positive remainder derived in clause (i); or (II) one hundred six million dollars ($106,000,000).

(3) (A) For purposes of supplemental lump-sum payment adjustments under this subdivision, only hospitals that can be categorized into either of the two groups specified in clauses (i) and (ii) below shall be eligible to receive the supplemental payment adjustments, and no hospital may qualify for more than one of the two groups. The following groups of hospitals shall be recognized:

(i) ''Public hospitals,'' which shall include all eligible hospitals that, as of July 1, 1999, met the definition of a public hospital.

(ii) ''Nonpublic hospitals,'' which shall include all eligible hospitals that, as of July 1, 1999, met the definition of a nonpublic hospital.

(B) The amount determined to be the maximum amount of supplemental lump-sum payment adjustments under subparagraph (C) of paragraph (2) shall first be allocated between the two groups of hospitals referred to in subparagraph (A) as follows:

(i) ‘‘Public hospitals’’: 71.64 percent of the maximum amount.

(ii) ‘‘Nonpublic hospitals’’: 28.36 percent of the maximum amount.

(C) The amount of funds allocated pursuant to subparagraph (B) to each of the particular groups of hospitals referred to in subparagraphs (A) and (B) shall then be distributed as supplemental lump-sum payment adjustments among the eligible hospitals within each particular group as follows:

(i) The department shall identify for each eligible hospital the total amount of payment adjustments under this section (exclusive of any payments under this subdivision) applicable to the 1999–2000 payment adjustment year, whether paid or payable. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.

(ii) The amount identified for each hospital under clause (i) shall be compared to the OBRA 1993 payment limitation that, in accordance with applicable provisions of the Medi-Cal State Plan, the department has computed for the particular hospital for the 1999–2000 payment adjustment year. For all purposes under this subdivision, calculations of the OBRA 1993 payment limitations for public hospitals shall not be performed prior to January 1, 2000, as referred to in paragraph (6) of subdivision (ai).

(iii) Where the amount computed under clause (i) for the particular hospital is equal to or exceeds the OBRA 1993 payment limitation for the hospital, the hospital shall not receive a supplemental lump-sum payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of clauses (v) through (viii).

(iv) Where the amount computed under clause (i) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount computed under clause (i) shall be used for purposes of clauses (v) through (viii).

(v) The figures determined under clause (iv) for each hospital in the particular group shall be added together to determine an aggregate total for each group.

(vi) The figures determined for each hospital under clause (iv) shall be divided by the aggregate total determined under clause (v) for the particular group, yielding a percentage figure for each hospital.

(vii) The percentage figure determined for each hospital under clause (vi) shall be applied to the maximum portion of the funds allocated to the particular group under subparagraph (B), to determine the hospital’s pro rata share of the supplemental lump-sum payment adjustments. Except, however, in the case of a nonpublic hospital that, as of July 1, 1999, met the definition of a children’s hospital, that pro rata share otherwise determined shall be

multiplied by a factor of 1.09, yielding a modified pro rata share. The pro rata share for the other nonpublic hospitals shall be reduced accordingly, yielding a modified pro rata share, so that the maximum portion of the funds allocated to the nonpublic hospitals group will not be exceeded. The pro rata share or modified pro rata share, as applicable, for each hospital, as computed under this clause, shall also be used for all purposes relating to descending pro rata distributions under clause (viii).

(viii) In no event shall a hospital receive supplemental lump-sum payment adjustment amounts in excess of the difference between the OBRA 1993 payment limitation for the hospital and the amount computed for the hospital under clause (i). Any supplemental lump-sum payment adjustment amount, or portion thereof, that otherwise would have been payable under this paragraph to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals within the same group.

(D) The department shall make interim and final payments of the supplemental lump-sum payment adjustments to hospitals on or before August 15, 2000.

(4) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available.

(ak) Notwithstanding any other provision of law, no payment adjustment amounts shall be payable in connection with the period of July 1 through September 30 of the 2000–01 payment adjustment year. The payment adjustment program with respect to the period October 1, 2000, through June 30, 2001, shall be structured as set forth below and in subdivision (al).

(1) (A) The department shall compute the projected total payment adjustment amounts for all eligible hospitals for the 2000–01 payment adjustment year, by determining for each eligible hospital its total per diem composite amount and multiplying that figure by the maximum number of the hospital's Medi-Cal inpatient paid days determined under paragraph (2) of subdivision (*l*). For purposes of this subparagraph, these determinations shall be without regard to the OBRA 1993 payment limitations. Notwithstanding the foregoing, with respect to a hospital that, as of July 1, 2000, meets the definition of converted hospital, the amount otherwise determined under this subparagraph shall be reduced as necessary so as not to exceed the total amount of all payment adjustment amounts payable to the hospital under this section for that payment adjustment year in which the hospital was last an eligible hospital meeting the definition of a public hospital.

(B) The computed amount referred to in subparagraph (A) for each hospital shall be compared to the OBRA 1993 payment limitation that, in accordance with applicable provisions of the

Medi-Cal State Plan, the department has computed for the particular hospital.

(C) Where the computed amount referred to in subparagraph (A) for the particular hospital exceeds the OBRA 1993 payment limitation for the hospital, the amount computed under subparagraph (A) shall be reduced to an amount equal to the OBRA 1993 payment limitation for the particular hospital. The amount so reduced shall be used for purposes of subparagraph (E).

(D) Where the computed amount referred to in subparagraph (A) for the particular hospital is equal to or less than the OBRA 1993 payment limitation for the hospital, the computed amount referred to in subparagraph (A) shall be used for purposes of subparagraph (E).

(E) The amounts determined under subparagraphs (C) and (D) for all eligible hospitals shall be added together, yielding an aggregate sum. The aggregate sum shall be the unadjusted projected total payment adjustment program for the period of October 1, 2000, through June 30, 2001, exclusive of any supplemental payment adjustments under subdivision (a*l*).

(2) The initial maximum size of the payment adjustment program for the period October 1, 2000, through June 30, 2001, shall be set at one billion seven hundred fifty million dollars ($1,750,000,000), exclusive of any supplemental payment adjustments under subdivision (a*l*).

(3) The department shall increase or decrease the amount determined for each eligible hospital under subparagraph (C) or (D) of paragraph (1), as applicable, by multiplying the amount by an identical percentage, yielding the hospital's tentative adjusted projected total payment adjustment amount for the period October 1, 2000, through June 30, 2001. The identical percentage figure to be used for this purpose shall be that percentage that is derived by dividing the amount set forth in paragraph (2) by the aggregate sum determined under subparagraph (E) of paragraph (1). Notwithstanding the foregoing, however, the amount determined for a hospital under subparagraphs (C) or (D) of paragraph (1) shall not be increased so that it would exceed the OBRA 1993 payment limitation for the hospital, and, where that would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis so that the aggregate sum of the tentative adjusted projected total payment adjustment amount for all hospitals equals the amount set forth in paragraph (2).

(4) The tentative adjusted projected total payment adjustment amount computed for each eligible hospital under paragraph (3) shall be further adjusted as follows:

(A) (i) For each eligible hospital that meets the definition of a nonpublic-converted hospital as of July 1, 2000, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''nonpublic-converted hospital adjustment factor.'' The applicable adjustment factor for the particular hospital shall be 0.81; except however, where the hospital also meets the definition of a major teaching hospital as of July 1, 2000, the applicable adjustment factor shall be that which is necessary to result in an amount for the particular hospital equal to forty million dollars ($40,000,000).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 2000, through June 30, 2001, which shall be paid to the hospital in accordance with paragraph (5). Notwithstanding the foregoing, however, in no case shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation.

(B) (i) For each eligible hospital that meets the definition of a converted hospital as of July 1, 2000, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''converted hospital adjustment factor,'' derived as follows:

(I) The maximum OBRA 1993 payment limitation specified by federal law, expressed as a maximum percentage of uncompensated care costs, that is applicable to the hospital for the 2000–01 payment adjustment year shall be subtracted from that maximum percentage of uncompensated care costs that the hospital was subject to as a public hospital during the 1999–2000 payment adjustment year.

(II) The converted hospital adjustment factor shall be that figure derived in subclause (I), expressed as a fraction, subtracted from 1.00.

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 2000, through June 30, 2001, which shall be paid to the hospital in accordance with paragraph (5). Notwithstanding the foregoing, however, in no case shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation.

(C) (i) For each eligible hospital that meets the definition of a nonpublic hospital as of July 1, 2000, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''nonpublic hospital adjustment factor.'' The applicable adjustment factor shall be derived as follows:

(I) The tentative adjusted projected total payment adjustment amounts determined under paragraph (3) for each nonpublic hospital shall be added together.

(II) The amount identified in paragraph (2) shall be divided by 2.1527.

(III) The amount derived under subclause (II) shall be reduced by the sum of the amounts determined for all nonpublic-converted hospitals under clause (ii) of subparagraph (A), and the sum of the amounts determined for all converted hospitals under clause (ii) of subparagraph (B) that exceed that amount equal to 31 percent of all payment adjustment amounts payable to each converted hospital under this section for that payment adjustment year in which the hospital was last an eligible hospital meeting the definition of a public hospital.

(IV) The amount computed under subclause (III) shall be divided by 2, and the result thereof further reduced by the amount of thirty-three million five hundred thousand dollars ($33,500,000).

(V) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (IV) by the amount derived in subclause (I).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 2000, through June 30, 2001, which shall be paid to the hospital in accordance with paragraph (5). Notwithstanding the foregoing, however, in no case shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation, and, where that would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other nonpublic hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis so that the aggregate sum of the final adjusted projected total payment adjustment amounts for all nonpublic hospitals equals the amount derived in subclause (IV) of clause (i).

(D) (i) For each eligible hospital that meets the definition of a public hospital as of July 1, 2000, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''public hospital adjustment factor.'' The applicable adjustment factor shall be derived as follows:

(I) The tentative adjusted projected total payment adjustment amounts determined under paragraph (3) for each public hospital described above shall be added together.

(II) The amount identified in paragraph (2) shall be reduced by the sums of the amounts determined for all nonpublic-converted hospitals under clause (ii) of subparagraph (A) and all converted hospitals under clause (ii) of subparagraph (B), and the sum of the amounts determined for all nonpublic hospitals under clause (ii) of subparagraph (C).

(III) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (II) by the amount derived in subclause (I).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period

October 1, 2000, through June 30, 2001, which shall be paid to the hospital in accordance with paragraph (5). Notwithstanding the foregoing, however, in no case shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation, and, where that would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other public hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis so that the aggregate sum of the final adjusted projected total payment adjustment amounts for all public hospitals equals the amount derived in subclause (II) of clause (i).

(5) (A) The final adjusted projected total payment adjustment amount determined for each eligible hospital for the period October 1, 2000, through June 30, 2001, shall be distributed to the hospital in 8 equal installments, each payable as of the last day of each month from October 2000 through May 2001. However, no hospital shall receive an installment for any month in which the hospital does not remain in operation for the entire month.

(B) To the extent that any hospital of either of the hospital types described in subparagraph (C) or (D) of paragraph (4) is not entitled to receive an installment that otherwise would be payable but for the hospital's failure to remain in operation through the last day of a particular month, the amount that would have been paid to the hospital shall be redistributed among those hospitals of the same hospital type that remain in operation from October 1, 2000, through June 30, 2001, to be distributed on a pro rata basis. The redistributed amounts shall be payable as of June 30, 2001.

(6) If, effective for the 2001 federal fiscal year, federal legislation is enacted that amends Section 1396r-4(f) of Title 42 of the United States Code to increase the amount for California for that fiscal year above the amount that would have otherwise been identified pursuant to that section as in existence on January 1, 2000, the department shall implement the provisions of paragraphs (1) through (5) as modified below.

(A) The department shall determine the maximum state disproportionate share hospital allotment for California for the 2001 federal fiscal year under the provisions of applicable federal medicaid rules.

(B) The department shall determine the maximum state disproportionate share hospital allotment for California for the 2001 federal fiscal year that would have resulted had Section 1396r-4(f) of Title 42 of the United States Code not been amended from the version of that section as in existence on January 1, 2000.

(C) The amount determined under subparagraph (B) shall be subtracted from the amount determined under subparagraph (A).

(D) For purposes of the calculations set forth in paragraph (3) regarding each hospital's tentative adjusted projected total payment

adjustment amount, the initial amount as set forth in paragraph (2) shall, in each instance prior to its application in those calculations, be increased by the amount derived in subparagraph (C).

(E) The difference derived in subparagraph (C) shall be divided by the amount determined in subparagraph (B). The resulting fraction shall be multiplied by 1.145, and the result thereof added to 1.00, yielding a factor for purposes of modifying the determination of the applicable nonpublic hospital adjustment factor pursuant to subparagraph (F).

(F) The amount determined under subclause (II) of clause (i) of subparagraph (C) of paragraph (4) shall be multiplied by the factor derived in subparagraph (E). The resulting amount shall be used for purposes of the calculations set forth in subclause (III) of clause (i) of subparagraph (C) of paragraph (4).

(G) For purposes of the calculations set forth in clause (i) of subparagraph (D) of paragraph (4) regarding the determination of the applicable public hospital adjustment factor, the initial amount as set forth in paragraph (2) shall, in each instance prior to its application in those calculations, be increased by the amount derived in subparagraph (C).

(7) Notwithstanding any other provision of law, for the entire 2000–01 payment adjustment year, no eligible hospital shall receive total payment adjustments in excess of the hospital's OBRA 1993 payment limitation as computed by the department pursuant to the Medi-Cal State Plan.

(8) The aggregate sum of the final adjusted projected total payment adjustment amounts computed under paragraph (4) for each eligible hospital for the period October 1, 2000, through June 30, 2001, shall be the maximum size of the payment adjustment program for the entire 2000–01 payment adjustment year, exclusive of the supplemental payment adjustments provided for under subdivision (a*l*).

(9) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available.

(a*l*) (1) For the 2000–01 payment adjustment year, eligible hospitals that meet the requirements of this subdivision and that are in operation as of June 30, 2001, shall be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date, but only if the hospital has remained in operation for the period October 1, 2000, through June 30, 2001.

(2) The availability of supplemental lump-sum payment adjustments under this subdivision shall be determined as follows:

(A) The maximum state disproportionate share hospital allotment for California under the provisions of applicable federal medicaid rules shall be identified for the 2001 federal fiscal year.

(B) The total amount of all payment adjustment amounts under this section (exclusive of any payments under this subdivision) applicable to the 2001 federal fiscal year, whether paid or payable, shall be determined. The applicability of payment adjustment amounts to the 2001 federal fiscal year shall be determined in accordance with federal medicaid rules.

(C) The figure determined under subparagraph (B) shall be subtracted from the figure identified under subparagraph (A). If the remainder is a positive figure, supplemental lump-sum payment adjustments shall be made under this subdivision in accordance with this subparagraph and paragraph (3). The positive remainder so derived shall be the maximum amount of supplemental lump-sum payment adjustments under this subdivision.

(3) (A) For purposes of supplemental lump-sum payment adjustments under this subdivision, only hospitals that can be categorized into either of the two groups specified in clauses (i) and (ii) below shall be eligible to receive the supplemental payment adjustments, and no hospital may qualify for more than one of the two groups. The following groups of hospitals shall be recognized:

(i) ''Public hospitals,'' which shall include all eligible hospitals that, as of July 1, 2000, met the definition of a public hospital.

(ii) ''Nonpublic hospitals,'' which shall include all eligible hospitals that, as of July 1, 2000, met the definition of a nonpublic hospital.

(B) The amount determined to be the maximum amount of supplemental lump-sum payment adjustments under subparagraph (C) of paragraph (2) shall first be allocated between the two groups of hospitals referred to in subparagraph (A) as follows:

(i) ''Public hospitals'': 75 percent of the maximum amount.

(ii) ''Nonpublic hospitals'': 25 percent of the maximum amount.

(C) The amount of funds allocated pursuant to subparagraph (B) to each of the particular groups of hospitals referred to in subparagraphs (A) and (B) shall then be distributed as supplemental lump-sum payment adjustments among the eligible hospitals within each particular group as follows:

(i) The department shall identify for each eligible hospital the total amount of payment adjustments under this section, exclusive of any payments under this subdivision, applicable to the 2000–01 payment adjustment year, whether paid or payable. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules.

(ii) The amount identified for each hospital under clause (i) shall be compared to the OBRA 1993 payment limitation that, in accordance with applicable provisions of the Medi-Cal State Plan, the

department has computed for the particular hospital for the 2000–01 payment adjustment year.

(iii) Where the amount computed under clause (i) for the particular hospital is equal to or exceeds the OBRA 1993 payment limitation for the hospital, the hospital shall not receive a supplemental lump-sum payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of clauses (v) through (viii).

(iv) Where the amount computed under clause (i) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount computed under clause (i) shall be used for purposes of clauses (v) through (viii).

(v) The figures determined under clause (iv) for each hospital in the particular group shall be added together to determine an aggregate total for each group.

(vi) The figures determined for each hospital under clause (iv) shall be divided by the aggregate total determined under clause (v) for the particular group, yielding a percentage figure for each hospital.

(vii) The percentage figure determined for each hospital under clause (vi) shall be applied to the maximum portion of the funds allocated to the particular group under subparagraph (B), to determine the hospital's pro rata share of the supplemental lump-sum payment adjustments. Notwithstanding the foregoing, however, in the case of a nonpublic hospital that, as of July 1, 2000, met the definition of a children's hospital, that pro rata share otherwise determined shall be multiplied by a factor of 1.69, yielding a modified pro rata share to be applied only with respect to the first one million dollars ($1,000,000) of the funds allocated pursuant to clause (ii) of subparagraph (B), and, with respect to the remainder of the funds so allocated, the pro rata share otherwise determined shall be multiplied by a factor of 1.09, yielding a modified pro rata share to be applied. The pro rata share for the other nonpublic hospitals shall be reduced accordingly, yielding a modified pro rata share, so that the maximum portion of the funds allocated to the nonpublic hospitals group will not be exceeded. The pro rata share or modified pro rata share, as applicable, for each hospital, as computed under this clause, shall also be used for all purposes relating to descending pro rata distributions under clause (viii).

(viii) In no event shall a hospital receive supplemental lump-sum payment adjustment amounts in excess of the difference between the OBRA 1993 payment limitation for the hospital and the amount computed for the hospital under clause (i). Any supplemental lump-sum payment adjustment amount, or portion thereof, that otherwise would have been payable under this paragraph to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals within the same group.

(D) The department shall make interim and final payments of the supplemental lump-sum payment adjustments to hospitals on June 30, 2001.

(4) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available.

(am) Notwithstanding any other provision of law, no payment adjustment amounts shall be payable in connection with the period of July 1 through September 30 of the 2001–02 payment adjustment year and subsequent payment adjustment years. The payment adjustment program with respect to the period October 1 through June 30 of the 2001–02 payment adjustment year and subsequent payment adjustment years shall be structured as set forth below and in subdivision (an).

(1) (A) The department shall compute the projected total payment adjustment amounts for all eligible hospitals for the applicable payment adjustment year, by determining for each eligible hospital its total per diem composite amount and multiplying that figure by the maximum number of the hospital's Medi-Cal inpatient paid days determined under paragraph (2) of subdivision (*l*). For purposes of this subparagraph, these determinations shall be without regard to the OBRA 1993 payment limitations. Notwithstanding the foregoing, with respect to a hospital that, as of July 1 of the applicable payment adjustment year, meets the definition of a converted hospital, the amount otherwise determined under this subparagraph shall be reduced as necessary so as not to exceed the total amount of all payment adjustment amounts payable to the hospital under this section for that payment adjustment year in which the hospital was last an eligible hospital meeting the definition of a public hospital.

(B) The computed amount referred to in subparagraph (A) for each hospital shall be compared to the OBRA 1993 payment limitation that, in accordance with applicable provisions of the Medi-Cal State Plan, the department has computed for the particular hospital.

(C) Where the computed amount referred to in subparagraph (A) for the particular hospital exceeds the OBRA 1993 payment limitation for the hospital, the amount computed under subparagraph (A) shall be reduced to an amount equal to the OBRA 1993 payment limitation for the particular hospital. The amount so reduced shall be used for purposes of subparagraph (E).

(D) Where the computed amount referred to in subparagraph (A) for the particular hospital is equal to or less than the OBRA 1993 payment limitation for the hospital, the computed amount referred to in subparagraph (A) shall be used for purposes of subparagraph (E).

(E) The amounts determined under subparagraphs (C) and (D) for all eligible hospitals shall be added together, yielding an aggregate sum. The aggregate sum shall be the unadjusted projected total payment adjustment program for the period of October 1 through June 30 of the applicable payment adjustment year, exclusive of any supplemental payment adjustments under subdivision (an).

(2) (A) The department shall determine the maximum state disproportionate share hospital allotment for California for the applicable federal fiscal year under the provisions of applicable federal medicaid rules.

(B) The initial maximum size of the payment adjustment program for the period October 1 through June 30 of each applicable payment adjustment year, shall be set at one billion six hundred million dollars ($1,600,000,000), exclusive of any supplemental payment adjustments under subdivision (an).

(3) The department shall increase or decrease the amount determined for each eligible hospital under subparagraph (C) or (D) of paragraph (1), as applicable, by multiplying the amount by an identical percentage, yielding the hospital's tentative adjusted projected total payment adjustment amount for the period October 1 through June 30 of the applicable payment adjustment year. The identical percentage figure to be used for this purpose shall be that percentage that is derived by dividing the amount set forth in subparagraph (B) of paragraph (2) by the aggregate sum determined under subparagraph (E) of paragraph (1). Notwithstanding the foregoing, however, the amount determined for a hospital under subparagraph (C) or (D) of paragraph (1) shall not be increased so that it would exceed the OBRA 1993 payment limitation for the hospital, and, where that would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis so that the aggregate sum of the tentative adjusted projected total payment adjustment amount for all hospitals equals the amount set forth in subparagraph (B) of paragraph (2).

(4) The tentative adjusted projected total payment adjustment amount computed for each eligible hospital under paragraph (3) shall be further adjusted as follows:

(A) (i) For each eligible hospital that meets the definition of a nonpublic-converted hospital as of July 1 of the applicable payment adjustment year, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''nonpublic-converted hospital adjustment factor.'' The applicable adjustment factor for the particular hospital shall be 0.835; except, however, where the hospital also meets the definition of a major teaching hospital as of July 1 of the applicable payment adjustment year, the applicable adjustment factor shall be the lesser of 1.00, or

that which is necessary to result in an amount for the particular hospital equal to thirty-five million eight hundred thousand dollars ($35,800,000).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1 through June 30 of the applicable payment adjustment year, which shall be paid to the hospital in accordance with paragraph (5). Notwithstanding the foregoing, however, in no case shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation.

(B) (i) For each eligible hospital that meets the definition of a converted hospital as of July 1 of the applicable payment adjustment year, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''converted hospital adjustment factor,'' derived as follows:

(I) The maximum OBRA 1993 payment limitation specified by federal law, expressed as a maximum percentage of uncompensated care costs, that is applicable to the hospital for the particular payment adjustment year shall be subtracted from that maximum percentage of uncompensated care costs that the hospital was subject to as a public hospital during the 1999–2000 payment adjustment year.

(II) The converted hospital adjustment factor shall be that figure derived in subclause (I), expressed as a fraction, subtracted from 1.00.

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1 through June 30 of the applicable payment adjustment year, which shall be paid to the hospital in accordance with paragraph (5). Notwithstanding the foregoing, however, in no case shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation.

(C) (i) For each eligible hospital that meets the definition of a nonpublic hospital as of July 1 of the applicable payment adjustment year, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''nonpublic hospital adjustment factor.'' The applicable adjustment factor shall be derived as follows:

(I) The tentative adjusted projected total payment adjustment amounts determined under paragraph (3) for each nonpublic hospital shall be added together.

(II) The amount identified in subparagraph (B) of paragraph (2) shall be divided by 2.237.

(III) The resulting figure in subclause (II) shall be increased by an amount equal to the product of the medical assistance increment multiplied by the maximum amount identified in subparagraph (A) of paragraph (2).

(IV) The amount derived under subclause (III) shall be reduced by the sum of the amounts determined for all nonpublic-converted

hospitals under clause (ii) of subparagraph (A), and the sum of the amounts determined for all converted hospitals under clause (ii) of subparagraph (B) that exceed that amount equal to 31 percent of all payment adjustment amounts payable to each converted hospital under this section for that payment adjustment year in which the hospital was last an eligible hospital meeting the definition of a public hospital.

(V) The amount computed under subclause (IV) shall be divided by 2, and the result thereof further reduced by the amount of thirty-three million five hundred thousand dollars ($33,500,000).

(VI) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (V) by the amount derived in subclause (I).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1 through June 30 of the applicable payment adjustment year, which shall be paid to the hospital in accordance with paragraph (5). Notwithstanding the foregoing, however, in no case shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation, and where that would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other nonpublic hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis so that the aggregate sum of the final adjusted projected total payment adjustment amounts for all nonpublic hospitals equals the amount derived in subclause (V) of clause (i).

(D) (i) For each eligible hospital that meets the definition of a public hospital as of July 1 of the applicable payment adjustment year, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a ''public hospital adjustment factor.'' The applicable adjustment factor shall be derived as follows:

(I) The tentative adjusted projected total payment adjustment amounts determined under paragraph (3) for each public hospital described above shall be added together.

(II) The amount identified in subparagraph (B) of paragraph (2) shall be reduced by the sums of the amounts determined for all nonpublic-converted hospitals under clause (ii) of subparagraph (A) and all converted hospitals under clause (ii) of subparagraph (B) and the sum of the amounts determined for all nonpublic hospitals under clause (ii) of subparagraph (C).

(III) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (II) by the amount derived in subclause (I).

(ii) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1 through June 30 of the applicable payment adjustment

year, which shall be paid to the hospital in accordance with paragraph (5). Notwithstanding the foregoing, however, in no case shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation, and, where that would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other public hospitals that have not reached their OBRA 1993 payment limitation on a pro rata basis so that the aggregate sum of the final adjusted projected total payment adjustment amounts for all public hospitals equals the amount derived in subclause (II) of clause (i).

(5) (A) The final adjusted projected total payment adjustment amount determined for each eligible hospital for the period October 1 through June 30 of the applicable payment adjustment year shall be distributed to the hospital in 8 equal installments, each payable as of the last day of each month from October through May of the applicable payment adjustment year. However, no hospital shall receive an installment for any month in which the hospital does not remain in operation for the entire month.

(B) To the extent that any hospital of either of the hospital types described in subparagraph (C) or (D) of paragraph (4) is not entitled to receive an installment that otherwise would be payable but for the hospital's failure to remain in operation through the last day of a particular month, the amount that would have been paid to the hospital shall be redistributed among those hospitals of the same hospital type that remain in operation from October 1 through June 30 of the applicable payment adjustment year, to be distributed on a pro rata basis. The redistributed amounts shall be payable as of June 30 of the applicable payment adjustment year.

(6) If, with respect to the 2001–02 payment adjustment year or any subsequent payment adjustment year, the amount identified for California for the applicable federal fiscal year pursuant to Section 1396r-4(f) of Title 42 of the United States Code exceeds the amount of eight hundred seventy-seven million dollars ($877,000,000), the department shall implement the provisions of paragraphs (1) through (5) with respect to the applicable payment adjustment year as modified below.

(A) The department shall determine the maximum state disproportionate share hospital allotment for California under the provisions of applicable federal medicaid rules.

(B) The department shall calculate the maximum state disproportionate share hospital allotment for California, by substituting in the calculation the amount of eight hundred seventy-seven million dollars ($877,000,000), as though that amount was identified for California for the applicable federal fiscal year pursuant to Section 1396r-4(f) of Title 42 of the United States Code.

(C) The amount determined under subparagraph (B) shall be subtracted from the amount determined under subparagraph (A).

(D) For purposes of the calculations set forth in paragraph (3) regarding each hospital's tentative adjusted projected total payment adjustment amount, the initial amount as set forth in subparagraph (B) of paragraph (2) shall, in each instance prior to its application in those calculations, be increased by the amount derived in subparagraph (C).

(E) The difference derived in subparagraph (C) shall be divided by the amount determined in subparagraph (B).

(F) For purposes of the determination made under clause (i) of subparagraph (A) of paragraph (4) regarding nonpublic-converted hospitals that also meet the definition of a major teaching hospital, the amount of thirty-five million eight hundred thousand dollars ($35,800,000) as specified therein shall be multiplied by a number equal to the sum of the fraction derived in subparagraph (E) plus the number 1.00.

(G) The fraction derived in subparagraph (E) shall be multiplied by 1.226, and the result thereof added to 1.00, yielding a factor for purposes of modifying the determination of the applicable nonpublic hospital adjustment factor pursuant to subparagraphs (H) and (I).

(H) The amount determined under subclause (II) of clause (i) of subparagraph (C) of paragraph (4) shall be multiplied by the factor derived in subparagraph (G), and the resulting amount shall be used for purposes of the calculations set forth in subclause (III) of clause (i) of subparagraph (C) of paragraph (4), as modified by subparagraph (I) below.

(I) For purposes of the calculations in subclause (III) of clause (i) of subparagraph (C) of paragraph (4), the recalculated maximum amount derived in subparagraph (B) shall be used in lieu of the maximum amount determined in subparagraph (A) of paragraph (2).

(J) For purposes of the calculations set forth in subclause (II) of clause (i) of subparagraph (D) of paragraph (4) regarding the determination of the applicable public hospital adjustment factor, the initial amount as set forth in subparagraph (B) of paragraph (2) shall, in each instance prior to its application in those calculations, be increased by the amount derived in subparagraph (C).

(7) Notwithstanding any other provision of law, for the entire payment adjustment year, no eligible hospital shall receive total payment adjustments in excess of the hospital's OBRA 1993 payment limitation as computed by the department pursuant to the Medi-Cal State Plan.

(8) The aggregate sum of the final adjusted projected total payment adjustment amounts computed under paragraph (4) for each eligible hospital for the period October 1 through June 30 of the applicable payment adjustment year, shall be the maximum size of the payment adjustment program for the entire payment adjustment

year, exclusive of the supplemental payment adjustments provided for under subdivision (an).

(9) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available.

(an) (1) For the 2001–02 payment adjustment year and subsequent payment adjustment years, eligible hospitals that meet the requirements of this subdivision and that are in operation as of June 30 of the applicable payment adjustment year, shall be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date, but only if the hospital has remained in operation for the period October 1 through June 30 of the applicable payment adjustment year.

(2) The availability of supplemental lump-sum payment adjustments under this subdivision shall be determined as follows:

(A) The maximum state disproportionate share hospital allotment for California under the provisions of applicable federal medicaid rules shall be identified for the applicable federal fiscal year.

(B) The total amount of all payment adjustment amounts under this section, exclusive of any payments under this subdivision, applicable to the applicable federal fiscal year, whether paid or payable, shall be determined. The applicability of payment adjustment amounts to the 2000 federal fiscal year shall be determined in accordance with federal medicaid rules.

(C) The figure determined under subparagraph (B) shall be subtracted from the figure identified under subparagraph (A). If the remainder is a positive figure, supplemental lump-sum payment adjustments shall be made under this subdivision in accordance with this subparagraph and paragraph (3). The positive remainder so derived shall be the maximum amount of supplemental lump-sum payment adjustments under this subdivision for the applicable payment adjustment year.

(3) (A) For purposes of supplemental lump-sum payment adjustments under this subdivision, only hospitals that can be categorized into either of the two groups specified in clauses (i) and (ii) below shall be eligible to receive the supplemental payment adjustments, and no hospital may qualify for more than one of the two groups. The following groups of hospitals shall be recognized:

(i) ‘‘Public hospitals,’’ which shall include all eligible hospitals that, as of July 1 of the applicable payment adjustment year, met the definition of a public hospital.

(ii) ‘‘Nonpublic hospitals,’’ which shall include all eligible hospitals that, as of July 1 of the applicable payment adjustment year, met the definition of a nonpublic hospital.

(B) The amount determined to be the maximum amount of supplemental lump-sum payment adjustments under subparagraph (C) of paragraph (2) shall first be allocated between the two groups of hospitals referred to in subparagraph (A) as follows:

(i) ''Public hospitals'': 75 percent of the maximum amount.

(ii) ''Nonpublic hospitals'': 25 percent of the maximum amount.

(C) The amount of funds allocated pursuant to subparagraph (B) to each of the particular groups of hospitals referred to in subparagraphs (A) and (B) shall then be distributed as supplemental lump-sum payment adjustments among the eligible hospitals within each particular group as follows:

(i) The department shall identify for each eligible hospital the total amount of payment adjustments under this section, exclusive of any payments under this subdivision, applicable to the payment adjustment year, whether paid or payable. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules.

(ii) The amount identified for each hospital under clause (i) shall be compared to the OBRA 1993 payment limitation that, in accordance with applicable provisions of the Medi-Cal State Plan, the department has computed for the particular hospital for the applicable payment adjustment year.

(iii) Where the amount computed under clause (i) for the particular hospital is equal to or exceeds the OBRA 1993 payment limitation for the hospital, the hospital shall not receive a supplemental lump-sum payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of clauses (v) through (viii).

(iv) Where the amount computed under clause (i) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount computed under clause (i) shall be used for purposes of clauses (v) through (viii).

(v) The figures determined under clause (iv) for each hospital in the particular group shall be added together to determine an aggregate total for each group.

(vi) The figures determined for each hospital under clause (iv) shall be divided by the aggregate total determined under clause (v) for the particular group, yielding a percentage figure for each hospital.

(vii) The percentage figure determined for each hospital under clause (vi) shall be applied to the maximum portion of the funds allocated to the particular group under subparagraph (B), to determine the hospital's pro rata share of the supplemental lump-sum payment adjustments. Notwithstanding the foregoing, however, in the case of a nonpublic hospital that, as of July 1 of the applicable payment adjustment year, met the definition of a children's hospital, that pro rata share otherwise determined shall be

multiplied by a factor of 1.69, yielding a modified pro rata share to be applied only with respect to the first one million dollars ($1,000,000) of the funds allocated pursuant to clause (ii) of subparagraph (B), and, with respect to the remainder of the funds so allocated, the pro rata share otherwise determined shall be multiplied by a factor of 1.09, yielding a modified pro rata share to be applied. The pro rata share for the other nonpublic hospitals shall be reduced accordingly, yielding a modified pro rata share, so that the maximum portion of the funds allocated to the nonpublic hospitals group will not be exceeded. The pro rata share or modified pro rata share, as applicable, for each hospital, as computed under this clause, shall also be used for all purposes relating to descending pro rata distributions under clause (viii).

(viii) In no event shall a hospital receive supplemental lump-sum payment adjustment amounts in excess of the difference between the OBRA 1993 payment limitation for the hospital and the amount computed for the hospital under clause (i). Any supplemental lump-sum payment adjustment amount, or portion thereof, that otherwise would have been payable under this paragraph to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals within the same group.

(D) The department shall make interim and final payments of the supplemental lump-sum payment adjustments to hospitals on June 30 of the applicable payment adjustment year.

(4) The department shall implement this subdivision only to the extent consistent with federal medicaid law and the Medi-Cal State Plan, and only to the extent that the department determines that federal financial participation is available.

SEC. 2. Section 14105.982 is added to the Welfare and Institutions Code, to read:

14105.982. (a) (1) The department may adopt emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 1 of Title 2 of the Government Code to specify a process for the preparation and issuance of any or all of the following:

(A) The tentative listing, as that term is used in paragraph (1) of subdivision (f) of Section 14105.98.

(B) The disproportionate share list, as that term is used in paragraphs (1) and (2) of subdivision (f) of Section 14105.98.

(C) Hospital-specific payment determinations pursuant to Section 14105.98.

(2) The process may include, but shall not be limited to, all of the following:

(A) Identification of the particular information to be prepared and issued.

(B) The opportunity for an affected hospital to review its individual hospital data elements.

(C) The timeframes for issuance and review of the items described in paragraph (1).

(D) The circumstances under which updated or corrected data may be accepted and used by the department.

(b) The initial adoption of the emergency regulations and one readoption of the initial regulations shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare. The initial emergency regulations and the first readoption of those regulations shall be exempt from review by the Office of Administrative Law. The emergency regulations authorized by this section shall be submitted to the Office of Administrative Law for filing with the Secretary of State and publication in the California Code of Regulations, and shall remain in effect for no more than 180 days. Before adopting any emergency regulations pursuant to this section, the department shall seek input from representatives of the hospital industry, including, but not limited to, the California Healthcare Association.

SEC. 3. (a) This section shall apply with respect to the 2000–01 fiscal year if all of the following conditions have been met for that fiscal year, and with respect to any subsequent fiscal year if all of the following conditions have been met for such subsequent fiscal year:

(1) There is a reduction in the amount transferred, or to be transferred, to the Health Care Deposit Fund required pursuant to paragraph (2) of subdivision (d) of Section 14163 of the Welfare and Institutions Code for the applicable fiscal year as compared to the amount so transferred for the 1999–2000 fiscal year.

(2) Section 3 does not apply.

(3) Section 4 does not apply.

(b) Pursuant to this section, the percentages specified in clauses (i) and (ii) of subparagraph (B) of paragraph (3) of subdivision (al) or in clauses (i) and (ii) of subparagraph (B) of paragraph (3) of subdivision (an), as applicable, of Section 14105.98 of the Welfare and Institutions Code for the public hospitals and nonpublic hospitals shall be deemed to be 0 percent and 100 percent, respectively, but only with respect to that amount equal to two-thirds of the amount of the transfer reduction described in paragraph (1) of subdivision (a). For all remaining amounts allocable under paragraph (3) of subdivision (al) and paragraph (3) of subdivision (an) of Section 14105.98 of the Welfare and Institutions Code, the percentages shall be as shown in clauses (i) and (ii) of subparagraph (B) of paragraph (3) of subdivision (al), or in clauses (i) and (ii) of subparagraph (B) of paragraph (3) of subdivision (an), of Section 14105.98 of the Welfare and Institutions Code, respectively.

SEC. 4. (a) This section shall apply with respect to the 2000–01 fiscal year, if all of the following conditions have been met for that fiscal year:

(1) There is a reduction in the amount transferred, or to be transferred, to the Health Care Deposit Fund required pursuant to paragraph (2) of subdivision (d) of Section 14163 of the Welfare and Institutions Code for the fiscal year as compared to the amount so transferred for the 1999–2000 fiscal year.

(2) The maximum amount identified pursuant to subparagraph (A) of paragraph (2) of subdivision (al) of Section 14105.98 of the Welfare and Institutions Code exceeds one billion nine hundred twenty-three million nine hundred thousand dollars ($1,923,900,000).

(b) Pursuant to this section, the methodology for determining the supplemental lump-sum payment adjustment amounts set forth in subdivision (al) of Section 14105.98 of the Welfare and Institutions Code shall be modified as provided below:

(1) Each nonpublic-converted disproportionate share hospital that remains in operation as of June 30, 2001, shall be eligible to receive a supplemental lump-sum payment adjustment in an amount equal to the amount of the transfer reduction described in paragraph (1) of subdivision (a), multiplied by a fraction, the numerator of which is the total payment adjustment amounts payable to the hospital pursuant to Section 14105.98 of the Welfare and Institutions Code for the 2000–01 fiscal year, before application of this section, and the denominator of which is the maximum amount identified pursuant to subparagraph (A) of paragraph (2) of subdivision (al) of Section 14105.98 of the Welfare and Institutions Code for the same fiscal year. Notwithstanding the foregoing, however, no hospital shall receive supplemental lump-sum payment adjustments under this paragraph if the total payment adjustment amounts payable to the hospital pursuant to Section 14105.98 of the Welfare and Institutions Code for the 2000–01 fiscal year, before application of this section, is at least forty million dollars ($40,000,000).

(2) Notwithstanding the provisions of paragraph (1), in no case shall any amount otherwise payable pursuant to this section be paid in an amount that would cause any hospital to exceed the applicable limitation set forth in Section 1396r-4(f) of Title 42 of the United States Code. The modified methodology with respect to nonpublic-converted hospitals shall not provide for a descending pro rata distribution phase.

(3) The percentages specified in clauses (i) and (ii) of subparagraph (B) of paragraph (3) of subdivision (al) of Section 14105.98 of the Welfare and Institutions Code for the public hospitals and nonpublic hospitals shall be deemed to be 0.00 percent and 100 percent, respectively, but only with respect to that amount equal to two-thirds of the amount of the transfer reduction described in paragraph (1) of subdivision (a), less one-third of the sum of the amounts payable to nonpublic-converted hospitals pursuant to paragraph (1). For all remaining amounts allocable under paragraph (3) of subdivision (al) of Section 14105.98 of the Welfare and

Institutions Code, the percentages shall be as shown in clauses (i) and (ii) of subparagraph (B) of paragraph (3) of subdivision (al) of Section 14105.98 of the Welfare and Institutions Code, respectively.

SEC. 5. (a) This section shall apply with respect to the 2001–02 fiscal year if all of the following conditions have been met for that fiscal year, and with respect to any subsequent fiscal year if all of the following conditions have been met for such subsequent fiscal year:

(1) There is a reduction in the amount transferred, or to be transferred, to the Health Care Deposit Fund required pursuant to paragraph (2) of subdivision (d) of Section 14163 of the Welfare and Institutions Code for the applicable fiscal year as compared to the amount so transferred for the 1999–2000 fiscal year.

(2) The maximum amount identified pursuant to subparagraph (A) of paragraph (2) of subdivision (an) of Section 14105.98 of the Welfare and Institutions Code exceeds one billion eight hundred sixty-three million eight hundred thousand dollars ($1,863,800,000).

(b) Pursuant to this section, the methodology for determining the supplemental lump-sum payment adjustment amounts set forth in subdivision (an) of Section 14105.98 of the Welfare and Institutions Code shall be modified as provided below:

(1) Each nonpublic-converted disproportionate share hospital that remains in operation as of June 30 of the applicable fiscal year shall be eligible to receive a supplemental lump-sum payment adjustment in an amount equal to the amount of the transfer reduction described in paragraph (1) of subdivision (a), multiplied by a fraction, the numerator of which is the total payment adjustment amounts payable to the hospital pursuant to Section 14105.98 of the Welfare and Institutions Code for the applicable fiscal year, before application of this section, and the denominator of which is the maximum amount identified pursuant to subparagraph (A) of paragraph (2) of subdivision (an) of Section 14105.98 of the Welfare and Institutions Code for the same fiscal year.

(2) Notwithstanding the provisions of paragraph (1), in no case shall any amount otherwise payable pursuant to this section be paid in an amount that would cause any hospital to exceed the applicable limitation set forth in Section 1396r-4(f) of Title 42 of the United States Code. The modified methodology with respect to nonpublic-converted hospitals shall not provide for a descending pro rata distribution phase.

(3) The percentages specified in clauses (i) and (ii) of subparagraph (B) of paragraph (3) of subdivision (an) of Section 14105.98 of the Welfare and Institutions Code for the public hospitals and nonpublic hospitals shall be deemed to be 0.00 percent and 100 percent, respectively, for the applicable fiscal year, but only with respect to that amount equal to two-thirds of the amount of the transfer reduction described in paragraph (1) of subdivision (a), less one-third of the sum of the amounts payable to nonpublic-converted

hospitals pursuant to paragraph (1). For all remaining amounts allocable under paragraph (3) of subdivision (an) of Section 14105.98 of the Welfare and Institutions Code, the percentages shall be as shown in clauses (i) and (ii) of subparagraph (B) of paragraph (3) of subdivision (an) of Section 14105.98 of the Welfare and Institutions Code, respectively.

SEC. 6. On or before June 29, 2000, the State Department of Health Services shall take all necessary steps to arrange for the publication of any public notices that are required or appropriate under federal or state law, in order to ensure an effective date for this act of not later than June 30, 2000, for federal medicaid purposes. Notwithstanding any other provision of law, the department may arrange for the publication of any notice through a private vendor, on a bid or nonbid basis, on an exclusive or nonexclusive basis, and without review or approval by any other department, agency, or instrumentality of the state. The costs of publishing any notice through a private vendor shall be recovered by the department from the Medi-Cal Inpatient Payment Adjustment Fund.

SEC. 7. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to ensure sufficient funding for disproportionate share providers in the Medi-Cal program, to enable them to provide sufficient access to Medi-Cal benefits as soon as possible, it is necessary that this act take effect immediately.

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